



**JOHN CHIANG**  
California State Controller

October 8, 2013

Charlie Ng, Vice President of Business and Administrative Services  
MiraCosta Community College District  
BAS Division Office, #6  
One Barnard Drive  
Oceanside, CA 92056

Dear Mr. Ng:

The State Controller's Office reviewed the costs claimed by MiraCosta Community College District for the legislatively mandated Integrated Waste Management Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 2006, through June 30, 2011. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

The district claimed \$86,730 for the mandated program. Our review found that the entire amount is unallowable because the district did not report any savings realized as a result of implementing its Integrated Waste Management plan, as described in the attached Summary of Program Costs, Summary of Offsetting Savings Calculations, and in the Finding and Recommendation. The State made no payment to the district.

We discussed the review results with Tom Macias, Director of Facilities, during a telephone conference call on October 1, 2013. During the meeting, Mr. Macias stated that the district does not agree with the adjustment.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/nh

Attachments

RE: S14-MCC-909

cc: Myeshia Armstrong, Fiscal Services Director  
MiraCosta Community College District  
Tom Macias, Director of Facilities  
MiraCosta Community College District  
Ralph Pickering, Grounds Supervisor  
MiraCosta Community College District  
Dan Rafferty, Accounting Supervisor  
MiraCosta Community College District  
Christine Atalig, Specialist, College Finance and Facilities Planning  
California Community Colleges Chancellor's Office  
Mollie Quasebarth, Principal Program Budget Analyst  
Education Systems Unit, California Department of Finance  
Mario Rodriguez, Finance Budget Analyst  
Education Systems Unit, California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

**Attachment 1—  
Summary of Program Costs  
July 1, 2006, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 18,016	\$ 18,016	\$ —
Indirect costs	5,513	5,513	—
Total direct and indirect costs	23,529	23,529	—
Less offsetting savings <sup>2</sup>	—	(42,386)	(42,386)
Subtotal	23,529	(18,857)	(42,386)
Adjustment to eliminate negative balance	—	18,857	18,857
Total program costs	<u>\$ 23,529</u>	—	<u>\$ (23,529)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 15,567	\$ 15,567	\$ —
Indirect costs	4,760	4,760	—
Total direct and indirect costs	20,327	20,327	—
Less offsetting savings <sup>2</sup>	—	(38,355)	(38,355)
Subtotal	20,327	(18,028)	(38,355)
Adjustment to eliminate negative balance	—	18,028	18,028
Total program costs	<u>\$ 20,327</u>	—	<u>\$ (20,327)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits	\$ 13,518	\$ 13,518	\$ —
Indirect costs	3,790	3,790	—
Total direct and indirect costs	17,308	17,308	—
Less offsetting savings <sup>2</sup>	—	(41,067)	(41,067)
Subtotal	17,308	(23,759)	(41,067)
Adjustment to eliminate negative balance	—	23,759	23,759
Total program costs	<u>\$ 17,308</u>	—	<u>\$ (17,308)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits	\$ 15,186	\$ 15,186	\$ —
Indirect costs	4,090	4,090	—
Total direct and indirect costs	19,276	19,276	—
Less offsetting savings <sup>2</sup>	—	(43,004)	(43,004)
Subtotal	19,276	(23,728)	(43,004)
Adjustment to eliminate negative balance	—	23,728	23,728
Total program costs	<u>\$ 19,276</u>	—	<u>\$ (19,276)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits	\$ 4,989	\$ 4,989	\$ —
Indirect costs	1,301	1,301	—
Total direct and indirect costs	6,290	6,290	—
Less offsetting savings <sup>2</sup>	—	(10,848)	(10,848)
Subtotal	6,290	(4,558)	(10,848)
Adjustment to eliminate negative balance	—	4,558	4,558
Total program costs	<u>\$ 6,290</u>	—	<u>\$ (6,290)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 2006, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits	\$ 67,276	\$ 67,276	\$ —
Indirect costs	19,454	19,454	—
Total direct and indirect costs	86,730	86,730	—
Less offsetting savings <sup>2</sup>	—	(175,660)	(175,660)
Subtotal	86,730	(88,930)	(175,660)
Adjustment to eliminate negative balance	—	88,930	88,930
Total program costs	<u>\$ 86,730</u>	—	<u>\$ (86,730)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

<sup>1</sup> See Attachment 3, Finding and Recommendation.

<sup>2</sup> See Attachment 2, Summary of Offsetting Savings Calculations.

**Attachment 2—  
Summary of Offsetting Savings Calculations  
July 1, 2006, through June 30, 2011**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment <sup>1</sup>
		July - December	January - June	Total	
<u>July 1, 2006, through June 30, 2007</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 74.76%	÷ 70.30%		
Allocated diversion percentage		66.88%	71.12%		
Tonnage diverted	×	(773.30)	×	(544.75)	
Statewide average landfill fee per ton	×	\$46.00	×	\$48.00	
Total offsetting savings, FY 2006-07	\$ —	\$ (23,790)	\$ (18,596)	\$ (42,386)	\$ (42,386)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 70.30%	÷ 70.30%		
Allocated diversion percentage		71.12%	71.12%		
Tonnage diverted	×	(544.75)	×	(544.75)	
Statewide average landfill fee per ton	×	\$48.00	×	\$51.00	
Total offsetting savings, FY 2007-08	\$ —	\$ (18,596)	\$ (19,759)	\$ (38,355)	\$ (38,355)
<u>July 1, 2008, through June 30, 2009</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 70.30%	÷ 70.30%		
Allocated diversion percentage		71.12%	71.12%		
Tonnage diverted	×	(544.75)	×	(544.75)	
Statewide average landfill fee per ton	×	\$51.00	×	\$55.00	
Total offsetting savings, FY 2008-09	\$ —	\$ (19,759)	\$ (21,308)	\$ (41,067)	\$ (41,067)
<u>July 1, 2009, through June 30, 2010</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 70.30%	÷ 70.30%		
Allocated diversion percentage		71.12%	71.12%		
Tonnage diverted	×	(544.75)	×	(544.75)	
Statewide average landfill fee per ton	×	\$55.00	×	\$56.00	
Total offsetting savings, FY 2009-10	\$ —	\$ (21,308)	\$ (21,696)	\$ (43,004)	\$ (43,004)

## Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment <sup>1</sup>
		July - December	January - June	Total	
<u>July 1, 2010, through June 30, 2011</u>					
Maximum allowable diversion percentage		50.00%	—		
Actual diversion percentage		÷ 70.30%	÷	—	
Allocated diversion percentage		71.12%	—		
Tonnage diverted		× (272.38)	×	—	
Statewide average landfill fee per ton		× \$56.00	×	—	
Total offsetting savings, FY 2010-11	\$ —	\$ (10,848)	\$ —	\$ (10,848)	\$ (10,848)
<u>Total offsetting savings: July 1, 2006, through June 30, 2011</u>	<u>\$ —</u>	<u>\$ (94,301)</u>	<u>\$ (81,359)</u>	<u>\$ (175,660)</u>	<u>\$ (175,660)</u>

<sup>1</sup> See Attachment 3, Finding and Recommendation.

## Attachment 3— Finding and Recommendation July 1, 2006, through June 30, 2011

**FINDING—  
Unreported offsetting  
savings**

The district did not report any offsetting savings on its mandated cost claims for the review period. We determined that the district realized savings of \$175,660 from implementation of its Integrated Waste Management (IWM) plan.

The following table summarizes the unreported offsetting savings by fiscal year:

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Review Adjustment
2006-07	\$ -	\$ (42,386)	\$ (42,386)
2007-08	-	(38,355)	(38,355)
2008-09	-	(41,067)	(41,067)
2009-10	-	(43,004)	(43,004)
2010-11	-	(10,848)	(10,848)
Total	<u>\$ -</u>	<u>\$ (175,660)</u>	<u>\$ (175,660)</u>

On March 25, 2004, the Commission on State Mandates (CSM) adopted the statement of decision for the IWM Program. The CSM determined that Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999, imposed upon community college districts a state mandate reimbursable under Government Code section 17561, commencing July 1, 1999.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on March 30, 2005.

In March 2007, the Department of Finance and the IWM Board filed a petition for writ of mandate requesting the CSM to issue new parameters and guidelines that give full consideration to the community colleges' cost savings (e.g. avoided landfill disposal fees) and revenues (from recyclables) by complying with the test claim statutes. The Judgment and a Writ of Mandate were issued on June 30, 2008, ordering the CSM to amend the parameters and guidelines to require community college districts to identify and offset from their claims, cost savings realized as a result of implementing their plan.

On September 26, 2008, the CSM amended the parameters and guidelines to the original period of reimbursement because the court's decision interprets the test claim statutes as a question of law.

In compliance with Government Code section 17558, the State Controller’s Office issues claiming instructions to assist community college districts in claiming mandated-program reimbursable costs.

The amended parameters and guidelines (section VIII – Offsetting Cost Savings) state:

Reduced or avoided costs realized from implementation of the community college districts’ Integrated Waste Management Plans shall be identified and offset from this claim as cost savings, consistent with the direction for revenue in Public Contract Code sections 12167 and 12167.1.

Public Contract Code sections 12167 and 12167.1 require agencies in state-owned and state-leased buildings to deposit all revenues from the sale of recyclables into the IWM Account in the IWM Fund. The revenues are to be continuously appropriated to the Board for the purposes of offsetting recycling program costs. For the review period, the district did not deposit any revenue into the IWM Account in the IWM Fund. We have determined that the district had reduced or avoided costs realized from implementation of its IWM plan that it did not identify and offset from its claims as cost savings.

**Offsetting Savings Calculation**

The CSM’s Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item #8–CSM hearing of September 26, 2008) state:

...cost savings may be calculated from the annual solid waste disposal reduction or diversion rates that community colleges must annually report to the Board pursuant to Public Resources Code section 42926, subdivision (b)(1).

To compute the savings amount, we multiplied the allocated diversion percentage by the tonnage diverted, and then by the avoided landfill disposal fee, as follows:

$$\begin{array}{rcc}
 & \text{Allocated Diversion \%} & \\
 & \overbrace{\hspace{1.5cm}} & \\
 \text{Offsetting} & \text{Maximum} & \text{Avoided} \\
 \text{Savings} & \text{Allowable} & \text{Landfill} \\
 \text{Realized} & = \frac{\text{Diversion \%}}{\text{Actual}} & \times \text{Tonnage} \times \text{Disposal Fee} \\
 & \text{Diversion \%} & \text{Diverted} \quad \text{(per Ton)}
 \end{array}$$

This calculation determines the cost that the district did not incur for solid waste disposal as a result of implementing its IWM plan. The offsetting savings calculations are presented in Attachment 2 – Summary of Offsetting Savings Calculations.

### *Allocated Diversion Percentage*

Public Resource Code 42921 requires districts achieve a solid waste diversion percentage of 50% by January 1, 2004. The parameters and guidelines state that districts will be reimbursed for all mandated costs incurred to achieve this level, without reduction when they fall short of stated goals, but not for amounts used to exceed this state-mandated level. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For calendar years 2006 and 2007, we used the actual diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

In 2008, CalRecycle began focusing on “per-capita disposal” instead of “diversion percentage.” As a result, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted. Consequently, the annual reports no longer identify a “diversion percentage.” Therefore, we used the 2007 diversion percentage to calculate the offsetting savings for fiscal year (FY) 2007-08, FY 2008-09, FY 2009-10, and FY 2010-11. The district did not provide documentation supporting a different diversion percentage.

### *Tonnage Diverted*

The tonnage diverted is solid waste that the district recycled, composted, and kept out of the landfill.

For calendar years 2006 and 2007, we used the actual tonnage diverted, as reported by the district to CalRecycle pursuant to Public Resources Code section 42926, subdivision (b)(1).

As previously noted, in 2008, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted. Therefore, we used the tonnage diverted in 2007 to calculate the offsetting savings for FY 2007-08, FY 2008-09, FY 2009-10, and FY 2010-11. The district did not provide documentation supporting a different tonnage amount.

### *Avoided Landfill Disposal Fee (per Ton)*

The avoided landfill disposal fee is used to calculate realized savings because the district no longer incurs a cost to dispose of the diverted tonnage at the landfill. For each fiscal year in the review period, we used the statewide average disposal fee provided by CalRecycle. The district did not provide documentation supporting a different disposal fee.

### Recommendation

We recommend that the district offset all savings realized from implementation of its IWM plan.