



**BETTY T. YEE**  
California State Controller

April 20, 2018

Brian Fahnestock, Vice President of Administrative Services  
El Camino Community College District  
16007 Crenshaw Boulevard  
Torrance, CA 90506

Dear Mr. Fahnestock:

The State Controller's Office (SCO) reviewed the costs claimed by the El Camino Community College District for the legislatively mandated Integrated Waste Management (IWM) Program for the period of July 1, 2000, through June 30, 2001; and July 1, 2003, through June 30, 2008. We did not include the costs claimed for the period of July 1, 2001, through June 30, 2003, in the review period because the statute of limitations to initiate the review had expired for these years. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that the offsetting savings were properly reported in accordance with program requirements.

This reissued letter updates our previous letter, issued March 19, 2014. The previous letter identified \$207,191 in unreported offsetting savings for fiscal year (FY) 2000-01 and FY 2003-04 through FY 2007-08. On January 26, 2018, the Commission on State Mandates (Commission) issued a decision in response to an Incorrect Reduction Claim filed by the district for the IWM Program. In its decision, the Commission concluded that our reduction of costs claimed for the first half of FY 2003-04 (which was based on a diversion rate of 50% rather than 25%) was incorrect and that the difference of \$13,772 had been incorrectly reduced. In compliance with the Commission's decision, we reinstated \$13,772 for FY 2003-04. As a result, allowable costs increased by \$13,772, from \$156,530 to \$170,302. We informed you of the revision to this letter via email on March 15, 2018.

The district claimed \$363,721 for the mandated program. Our review found that \$170,302 is allowable and \$193,419 is unallowable. The costs are unallowable because the district understated the offsetting savings realized as a result of implementing its IWM plans, as described in the attached Summary of Program Costs, Summary of Offsetting Savings Calculations, and the Finding and Recommendation. The State paid the district \$61,310. The State will pay allowable costs claimed that exceed the amount paid, totaling \$108,992, contingent upon available appropriations. Following issuance of this letter, the SCO's Local Government Programs and Services Division will notify the district of the reinstatement adjustment via a system-generated letter for FY 2003-04.

Brian Fahnestock, Vice President  
of Administrative Services

-2-

April 20, 2018

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/as

Attachments

RE: S14-MCC-903R

cc: Christian Osmeña, Vice Chancellor  
College Finance and Facilities Planning  
California Community Colleges Chancellor's Office  
Frances Parmelee, Assistant Vice Chancellor  
College Finance and Facilities Planning  
California Community Colleges Chancellor's Office  
Wrenna Finche, Director of Fiscal Standards and Accountability  
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Chris Ferguson, Principal Program Budget Analyst  
Educations Systems Unit, California Department of Finance  
Keith Nezaam, Staff Finance Budget Analyst  
Educations Systems Unit, California Department of Finance  
Anita Dagan, Manager  
Local Government Programs and Services Division  
California State Controller's Office

**Revised Attachment 1—  
Summary of Program Costs  
July 1, 2000, through June 30, 2001;  
and July 1, 2003, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits	\$ 30,982	\$ 30,982	\$ —
Fixed assets	18,588	18,588	—
Total direct costs	49,570	49,570	—
Indirect costs	11,633	11,633	—
Total direct and indirect costs	61,203	61,203	—
Less offsetting reimbursements	(19,000)	(19,000)	—
Less offsetting savings <sup>2</sup>	—	(8,145)	(8,145)
Total program costs	<u>\$ 42,203</u>	34,058	<u>\$ (8,145)</u>
Less amount paid by the State <sup>3</sup>		(34,058)	
Allowable costs claimed in excess of amount paid		<u>\$ —</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 42,453	\$ 42,453	\$ —
Indirect costs	12,354	12,354	—
Total direct and indirect costs	54,807	54,807	—
Less offsetting reimbursements	(699)	(699)	—
Less offsetting savings <sup>2</sup>	(6,137)	(28,262)	(22,125)
Total program costs	<u>\$ 47,971</u>	25,846	<u>\$ (22,125)</u>
Less amount paid by the State <sup>3</sup>		(12,074)	
Allowable costs claimed in excess of amount paid		<u>\$ 13,772</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 45,211	\$ 45,211	\$ —
Indirect costs	15,923	15,923	—
Total direct and indirect costs	61,134	61,134	—
Less offsetting reimbursements	(1,165)	(1,165)	—
Less offsetting savings <sup>2</sup>	(6,137)	(44,791)	(38,654)
Total program costs	<u>\$ 53,832</u>	15,178	<u>\$ (38,654)</u>
Less amount paid by the State <sup>3</sup>		(15,178)	
Allowable costs claimed in excess of amount paid		<u>\$ —</u>	

## Revised Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 57,808	\$ 57,808	\$ -
Indirect costs	20,227	20,227	-
Total direct and indirect costs	78,035	78,035	-
Less offsetting reimbursements	(803)	(803)	-
Less offsetting savings <sup>2</sup>	(6,137)	(49,982)	(43,845)
Total program costs	<u>\$ 71,095</u>	27,250	<u>\$ (43,845)</u>
Less amount paid by the State <sup>3</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 27,250</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 57,085	\$ 57,085	\$ -
Indirect costs	20,350	20,350	-
Total direct and indirect costs	77,435	77,435	-
Less offsetting reimbursements	(1,233)	(1,233)	-
Less offsetting savings <sup>2</sup>	(6,137)	(43,597)	(37,460)
Total program costs	<u>\$ 70,065</u>	32,605	<u>\$ (37,460)</u>
Less amount paid by the State <sup>3</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 32,605</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 62,112	\$ 62,112	\$ -
Fixed assets	2,092	2,092	-
Total direct costs	64,204	64,204	-
Indirect costs	22,144	22,144	-
Total direct and indirect costs	86,348	86,348	-
Less offsetting reimbursements	(1,656)	(1,656)	-
Less offsetting savings <sup>2</sup>	(6,137)	(49,327)	(43,190)
Total program costs	<u>\$ 78,555</u>	35,365	<u>\$ (43,190)</u>
Less amount paid by the State <sup>3</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 35,365</u>	

## Revised Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>Summary: July 1, 2000, through June 30, 2001; and July 1, 2003, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 295,651	\$ 295,651	\$ -
Fixed assets	20,680	20,680	-
Total direct costs	316,331	316,331	-
Indirect costs	102,631	102,631	-
Total direct and indirect costs	418,962	418,962	-
Less offsetting reimbursements	(24,556)	(24,556)	-
Less offsetting savings <sup>2</sup>	(30,685)	(224,104)	(193,419)
Total program costs	<u>\$ 363,721</u>	170,302	<u>\$ (193,419)</u>
Less amount paid by the State <sup>3</sup>		(61,310)	
Allowable costs claimed in excess of amount paid		<u>\$ 108,992</u>	

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

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

<sup>3</sup> Payment information current as of February 2, 2018.

**Revised Attachment 2—  
Summary of Offsetting Savings Calculations  
July 1, 2000, through June 30, 2001;  
and July 1, 2003, through June 30, 2008**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment <sup>1</sup>
		July-December	January-June	Total	
<u>July 1, 2000, through June 30, 2001</u>					
Maximum allowable diversion percentage		25.00%	25.00%		
Actual diversion percentage		÷ 21.50%	÷ 25.70%		
Allocated diversion percentage <sup>2</sup>		100.00%	97.28%		
Tonnage diverted	×	(103.20)	×	(124.00)	
Statewide average landfill fee per ton	×	\$36.39	×	\$36.39	
Offsetting savings, FY 2000-01	\$ -	\$ (3,755)	\$ (4,390)	\$ (8,145)	\$ (8,145)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum allowable diversion percentage		25.00%	50.00%		
Actual diversion percentage		÷ 62.50%	÷ 51.95%		
Allocated diversion percentage		40.00%	96.25%		
Tonnage diverted	×	(934.85)	×	(391.85)	
Statewide average landfill fee per ton	×	\$36.83	×	\$38.42	
Offsetting savings, FY 2003-04	\$ (6,137)	\$ (13,772)	\$ (14,490)	\$ (28,262)	\$ (22,125)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 51.95%	÷ 67.16%		
Allocated diversion percentage		96.25%	74.45%		
Tonnage diverted	×	(391.85)	×	(1,043.60)	
Statewide average landfill fee per ton	×	\$38.42	×	\$39.00	
Offsetting savings, FY 2004-05	\$ (6,137)	\$ (14,490)	\$ (30,301)	\$ (44,791)	\$ (38,654)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 67.16%	÷ 57.83%		
Allocated diversion percentage		74.45%	86.46%		
Tonnage diverted	×	(1,043.60)	×	(494.85)	
Statewide average landfill fee per ton	×	\$39.00	×	\$46.00	
Offsetting savings, FY 2005-06	\$ (6,137)	\$ (30,301)	\$ (19,681)	\$ (49,982)	\$ (43,845)
<u>July 1, 2006, through June 30, 2007</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 57.83%	÷ 59.42%		
Allocated diversion percentage		86.46%	84.15%		
Tonnage diverted	×	(494.85)	×	(592.10)	
Statewide average landfill fee per ton	×	\$46.00	×	\$48.00	
Offsetting savings, FY 2006-07	\$ (6,137)	\$ (19,681)	\$ (23,916)	\$ (43,597)	\$ (37,460)

## Revised Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment <sup>1</sup>
		July-December	January-June	Total	
<u>July 1, 2007, through June 30, 2008</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 59.42%	÷ 59.42%		
Allocated diversion percentage		84.15%	84.15%		
Tonnage diverted	×	(592.10)	×	(592.10)	
Statewide average landfill fee per ton	×	\$48.00	×	\$51.00	
Offsetting savings, FY 2007-08	\$ (6,137)	\$ (23,916)	\$ (25,411)	\$ (49,327)	\$ (43,190)
<u>Summary: July 1, 2000, through June 30, 2001; and July 1, 2003, through June 30, 2008</u>					
	<u>\$ (30,685)</u>	<u>\$ (105,915)</u>	<u>\$ (118,189)</u>	<u>\$ (224,104)</u>	<u>\$ (193,419)</u>

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

<sup>2</sup> El Camino College did not achieve the maximum allowable diversion percentage in calendar year 2000. Therefore, 100% of the tonnage diverted is offsetting savings realized by the district.

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## **Revised Attachment 3— Finding and Recommendation July 1, 2000, through June 30, 2001; and July 1, 2003, through June 30, 2008**

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### **BACKGROUND—**

On March 25, 2004, the Commission adopted its statement of decision, finding that Public Resources Code (PRC) sections 40148, 40196.3, 42920 through 42928; Public Contract Code (PCC) sections 12167 and 12167.1; and the State Agency Model Integrated Waste Management Plan (February 2000) require new activities that constitute new programs or higher levels of service for community college districts within the meaning of Article XIII B, section 6, of the California Constitution, and impose costs mandated by the State pursuant to GC section 17514.

Specifically, the Commission approved the test claim for the increased costs of performing the following specific activities:

- Complying with the model plan (PRC section 42920(b)(3) and State Agency Model IWM Plan, February 2000);
- Designating a solid waste reduction and recycling coordinator (PRC section 42920(c));
- Diverting solid waste (PRC sections 42921 and 42922(i));
- Reporting to the Integrated Waste Management Board (Board) (PRC sections 42926(a) and 42922(i)); and
- Submitting recycled material reports (PCC section 12167.1).

In March 2007, the Department of Finance and the Board filed a petition for Writ of Mandate requesting the Commission 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) generated by complying with the test claim statutes. The Judgment and a Writ of Mandate were issued on June 30, 2008, ordering the Commission to amend the parameters and guidelines to require that community college districts identify and offset from their claims, cost savings realized as a result of implementing their IWM plans.

On September 26, 2008, the Commission 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 GC section 17558, SCO issues claiming instructions to assist community college districts in claiming mandated-program reimbursable costs.



**REVISED FINDING—  
Understated offsetting  
savings**

The district reported \$30,685 in offsetting savings. We determined that the district realized savings of \$224,104 from implementation of its IWM plans. Therefore, the district understated offsetting savings by \$193,419.

The following table summarizes the understated offsetting savings amounts by fiscal year:

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Review Adjustment
2000-01	\$ -	\$ (8,145)	\$ (8,145)
2003-04	(6,137)	(28,262)	(22,125)
2004-05	(6,137)	(44,791)	(38,654)
2005-06	(6,137)	(49,982)	(43,845)
2006-07	(6,137)	(43,597)	(37,460)
2007-08	(6,137)	(49,327)	(43,190)
<b>Total</b>	<b>\$ (30,685)</b>	<b>\$ (224,104)</b>	<b>\$ (193,419)</b>

Section VIII. (Offsetting Cost Savings) of the amended parameters and guidelines states, in part:

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.

PCC 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, which is continuously appropriated to the Board for 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 realized reduced or avoided costs from implementation of its IWM plans that it did not identify and offset from its claims as cost savings.

**Offsetting Savings Calculation**

The Commission's Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item No. 8 – Commission hearing of September 26, 2008) states, in part:

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:

$$\begin{array}{rcccl}
 & \text{Allocated Diversion \%} & & & \\
 & \left\{ \begin{array}{c} \text{Maximum} \\ \text{Allowable} \end{array} \right. & & & \text{Avoided} \\
 & & & & \text{Landfill} \\
 \text{Offsetting} & = & \frac{\text{Diversion \%}}{\text{Actual}} & \times & \text{Tonnage} \times \text{Disposal Fee} \\
 \text{Savings} & & \text{Diversion \%} & & \text{Diverted} \quad (\text{per Ton})
 \end{array}$$

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

*Allocated Diversion Percentage*

PRC 42921 requires that districts achieve a solid waste diversion percentage of 25% beginning January 1, 2002, and a 50% diversion percentage by January 1, 2004. The parameters and guidelines state that districts will be reimbursed for all mandated costs incurred to achieve these levels, without reduction when they fall short of stated goals, but not for amounts used to exceed these state-mandated levels. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For calendar years 2000 through 2007, we used the actual diversion percentage reported by the district to the Board pursuant to PRC section 42926, subdivision (b)(1).

In 2008, the Board began focusing on “per-capita disposal” instead of “diversion percentage.” As a result, the Board 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 calendar year 2007 diversion percentage to calculate the offsetting savings for fiscal year (FY) 2007-08. 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 2000 through 2007, we used the actual tonnage diverted, as reported by the district to the Board pursuant to PRC section 42926, subdivision (b)(1).

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

*Avoided Landfill Disposal Fee (per Ton)*

The avoided landfill disposal fee is used to calculate realized savings, as 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 the California Department of Resources Recycling and Recovery, which was established in 2010 to replace the Board. The district did not provide documentation supporting a different disposal fee.

Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2017-18 Budget Acts. Furthermore, commencing in FY 2015-16, the district elected to participate in a block grant program pursuant to GC section 17581.7, in lieu of filing annual mandated cost claims. If the program becomes active again, and if the district chooses to opt out of the block grant program, we recommend that the district offset all savings realized from implementation of the community college district's IWM plans.