



BETTY T. YEE
California State Controller

November 6, 2017

Frederick E. Harris, Vice President
of Administrative Services
Gavilan Joint Community College District
5055 Santa Teresa Boulevard
Gilroy, CA 95020

Dear Mr. Harris:

The State Controller's Office (SCO) reviewed the costs claimed by the Gavilan Joint Community College District for the legislatively mandated Integrated Waste Management (IWM) Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011. 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 has expired. We conducted our review under the authority of Government Code (GC) sections 12410, 17558.5, and 17561. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

This reissued letter report updates our previous letter report, issued April 11, 2014. The previous letter report identified \$306,596 in unreported offsetting savings for fiscal year (FY) 1999-2000 through FY 2000-01, and FY 2003-04 through FY 2010-11. On September 22, 2017, 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 \$3,822 was incorrectly reduced. In compliance with the Commission's decision, we reinstated \$3,822 for FY 2003-04. As a result, allowable costs increased by \$3,822, from \$458,791 to \$462,613. We advised you of the revision to this report via email on October 10, 2017.

The district claimed \$658,967 for the mandated program. Our review found that \$462,613 is allowable and \$196,354 is unallowable. The costs are unallowable because the district did not report any offsetting savings realized as a result of implementing its IWM plan, as described in the attached Summary of Program Costs, Summary of Offsetting Savings Calculations, and the Finding and Recommendation. The State paid the district \$207,240. The SCO's Local Government Programs and Services Division will send the district a separate notification letter to resolve allowable costs in excess of the amount paid, totaling \$255,373. The letter will be sent within 30 days from the issuance date of this report.

If you have any questions, please contact Jim L. Spano, CPA, Assistant Division Chief, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/rg

Attachments

RE: S14-MCC-920R

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

**Revised Attachment 1—
Summary of Program Costs
July 1, 1999, through June 30, 2001;
and July 1, 2003, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits	\$ 20,585	\$ 20,585	\$ -
Indirect costs	7,046	7,046	-
Total direct and indirect costs	27,631	27,631	-
Less offsetting savings ²	-	(1,298)	(1,298)
Total program costs	<u>\$ 27,631</u>	26,333	<u>\$ (1,298)</u>
Less amount paid by the State		(26,333)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits	\$ 44,971	\$ 44,971	\$ -
Contract services	7,799	7,799	-
Total direct costs	52,770	52,770	-
Indirect costs	16,437	16,437	-
Total direct and indirect costs	69,207	69,207	-
Less offsetting savings ²	-	(2,739)	(2,739)
Total program costs	<u>\$ 69,207</u>	66,468	<u>\$ (2,739)</u>
Less amount paid by the State		(66,468)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 46,046	\$ 46,046	\$ -
Contract services	4,000	4,000	-
Total direct costs	50,046	50,046	-
Indirect costs	16,710	16,710	-
Total direct and indirect costs	66,756	66,756	-
Less offsetting savings ²	-	(7,891)	(7,891)
Total program costs	<u>\$ 66,756</u>	58,865	<u>\$ (7,891)</u>
Less amount paid by the State		(55,043)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,822</u>	

Revised Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 49,040	\$ 49,040	\$ -
Contract services	2,800	2,800	-
Total direct costs	51,840	51,840	-
Indirect costs	16,654	16,654	-
Total direct and indirect costs	68,494	68,494	-
Less offsetting savings ²	-	(9,098)	(9,098)
Total program costs	\$ 68,494	59,396	\$ (9,098)
Less amount paid by the State		(59,396)	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 49,741	\$ 49,741	\$ -
Indirect costs	18,364	18,364	-
Total direct and indirect costs	68,105	68,105	-
Less offsetting savings ²	-	(122,630)	(122,630)
Subtotal	68,105	(54,525)	(122,630)
Adjustment to eliminate negative balance	-	54,525	54,525
Total program costs	\$ 68,105	-	\$ (68,105)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 51,880	\$ 51,880	\$ -
Indirect costs	18,910	18,910	-
Total direct and indirect costs	70,790	70,790	-
Less offsetting savings ²	-	(122,685)	(122,685)
Subtotal	70,790	(51,895)	(122,685)
Adjustment to eliminate negative balance	-	51,895	51,895
Total program costs	\$ 70,790	-	\$ (70,790)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	

Revised Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 56,440	\$ 56,440	\$ -
Indirect costs	22,322	22,322	-
Total direct and indirect costs	78,762	78,762	-
Less offsetting savings ²	-	(10,485)	(10,485)
Total program costs	<u>\$ 78,762</u>	68,277	<u>\$ (10,485)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 68,277</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits	\$ 63,980	\$ 63,980	\$ -
Indirect costs	24,057	24,057	-
Total direct and indirect costs	88,037	88,037	-
Less offsetting savings ²	-	(11,226)	(11,226)
Total program costs	<u>\$ 88,037</u>	76,811	<u>\$ (11,226)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 76,811</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits	\$ 68,539	\$ 68,539	\$ -
Indirect costs	26,635	26,635	-
Total direct and indirect costs	95,174	95,174	-
Less offsetting savings ²	-	(11,756)	(11,756)
Total program costs	<u>\$ 95,174</u>	83,418	<u>\$ (11,756)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 83,418</u>	

Revised Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits	\$ 18,909	\$ 18,909	\$ -
Indirect costs	7,102	7,102	-
Total direct and indirect costs	26,011	26,011	-
Less offsetting savings ²	-	(2,966)	(2,966)
Total program costs	<u>\$ 26,011</u>	23,045	<u>\$ (2,966)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 23,045</u>	
<u>Summary: July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits	\$ 470,131	\$ 470,131	\$ -
Contract services	14,599	14,599	-
Total direct costs	484,730	484,730	-
Indirect costs	174,237	174,237	-
Total direct and indirect costs	658,967	658,967	-
Less offsetting savings	-	(302,774)	(302,774)
Subtotal	658,967	356,193	(302,774)
Adjustment to eliminate negative balance	-	106,420	106,420
Total program costs	<u>\$ 658,967</u>	462,613	<u>\$ (196,354)</u>
Less amount paid by the State		(207,240)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 255,373</u>	

¹ See Revised Attachment 3, Finding and Recommendation.

² See Revised Attachment 2, Summary of Offsetting Savings Calculations.

**Revised Attachment 2—
Summary of Offsetting Savings Calculations
July 1, 1999, through June 30, 2001;
and July 1, 2003, through June 30, 2011**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 1999, through June 30, 2000</u>					
Maximum allowable diversion percentage		–	25.00%		
Actual diversion percentage		÷	–	÷	36.21%
Allocated diversion percentage		–	69.04%		
Tonnage diverted	×	–	×	(51.65)	
Statewide average landfill fee per ton	×	–	×	\$36.39	
Offsetting savings, FY 1999-2000	\$ –	\$ –	\$ (1,298)	\$ (1,298)	\$ (1,298)
<u>July 1, 2000, through June 30, 2001</u>					
Maximum allowable diversion percentage		25.00%	25.00%		
Actual diversion percentage		÷	36.21%	÷	39.02%
Allocated diversion percentage		69.04%	64.07%		
Tonnage diverted	×	(51.65)	×	(61.80)	
Statewide average landfill fee per ton	×	\$36.39	×	\$36.39	
Offsetting savings, FY 2000-01	\$ –	\$ (1,298)	\$ (1,441)	\$ (2,739)	\$ (2,739)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum allowable diversion percentage		25.00%	50.00%		
Actual diversion percentage		÷	75.43%	÷	61.80%
Allocated diversion percentage		33.14%	80.91%		
Tonnage diverted	×	(313.10)	×	(130.90)	
Statewide average landfill fee per ton	×	\$36.83	×	\$38.42	
Offsetting savings, FY 2003-04	\$ –	\$ (3,822)	\$ (4,069)	\$ (7,891)	\$ (7,891)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷	61.80%	÷	68.63%
Allocated diversion percentage		80.91%	72.85%		
Tonnage diverted	×	(130.90)	×	(177.00)	
Statewide average landfill fee per ton	×	\$38.42	×	\$39.00	
Offsetting savings, FY 2004-05	\$ –	\$ (4,069)	\$ (5,029)	\$ (9,098)	\$ (9,098)

Revised Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2005, through June 30, 2006</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 68.63%	÷ 98.23%		
Allocated diversion percentage		72.85%	50.90%		
Tonnage diverted	×	(177.00)	× (5,022.70)		
Statewide average landfill fee per ton	×	\$39.00	× \$46.00		
Offsetting savings, FY 2005-06	\$ -	\$ (5,029)	\$ (117,601)	\$ (122,630)	\$ (122,630)
<u>July 1, 2006, through June 30, 2007</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 98.23%	÷ 61.80%		
Allocated diversion percentage		50.90%	80.91%		
Tonnage diverted	×	(5,022.70)	× (130.90)		
Statewide average landfill fee per ton	×	\$46.00	× \$48.00		
Offsetting savings, FY 2006-07	\$ -	\$ (117,601)	\$ (5,084)	\$ (122,685)	\$ (122,685)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 61.80%	÷ 61.80%		
Allocated diversion percentage		80.91%	80.91%		
Tonnage diverted	×	(130.90)	× (130.90)		
Statewide average landfill fee per ton	×	\$48.00	× \$51.00		
Offsetting savings, FY 2007-08	\$ -	\$ (5,084)	\$ (5,401)	\$ (10,485)	\$ (10,485)
<u>July 1, 2008, through June 30, 2009</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 61.80%	÷ 61.80%		
Allocated diversion percentage		80.91%	80.91%		
Tonnage diverted	×	(130.90)	× (130.90)		
Statewide average landfill fee per ton	×	\$51.00	× \$55.00		
Offsetting savings, FY 2008-09	\$ -	\$ (5,401)	\$ (5,825)	\$ (11,226)	\$ (11,226)
<u>July 1, 2009, through June 30, 2010</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 61.80%	÷ 61.80%		
Allocated diversion percentage		80.91%	80.91%		
Tonnage diverted	×	(130.90)	× (130.90)		
Statewide average landfill fee per ton	×	\$55.00	× \$56.00		
Offsetting savings, FY 2009-10	\$ -	\$ (5,825)	\$ (5,931)	\$ (11,756)	\$ (11,756)

Revised Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2010, through June 30, 2011</u>					
Maximum allowable diversion percentage		50.00%	-		
Actual diversion percentage		÷ 61.80%	÷	-	
Allocated diversion percentage		80.91%	-		
Tonnage diverted	×	(65.45)	×	-	
Statewide average landfill fee per ton	×	\$56.00	×	-	
Offsetting savings, FY 2010-11	\$ -	\$ (2,966)	\$ -	\$ (2,966)	\$ (2,966)
<u>Summary: July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011</u>					
	\$ -	\$ (151,095)	\$ (151,679)	\$ (302,774)	\$ (302,774)

¹ See Revised Attachment 3, Finding and Recommendation.

Revised Attachment 3— Finding and Recommendation July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011

BACKGROUND—

On March 25, 2004, the Commission adopted its statement of decision, finding that Public Resources Code sections 40148, 40196.3, 42920-42928; Public Contract Code sections 12167 and 12167.1; and the State Agency Model IWM Plan (February 2000); require new activities which 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 (Public Resources Code section 42920(b)(3) and State Agency Model IWM Plan, February, 2000);
- Designating a solid waste reduction and recycling coordinator (Public Resources Code section 42920(c));
- Diverting solid waste (Public Resources Code sections 42921 and 42922(i));
- Reporting to the Board (Public Resources Code sections 42926(a) and 42922(i)); and
- Submitting recycled material reports (Public Contract Code section 12167.1).

In March 2007, the Department of Finance and the IWM 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 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 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, the SCO issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated-program reimbursable costs.

**REVISED FINDING—
Unreported offsetting
savings**

The district did not report any offsetting savings on its mandated cost claims for the review period. We found that the district realized savings of \$302,774 from implementation of its IWM plan.

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

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Review Adjustment
1999-2000	\$ -	\$ (1,298)	\$ (1,298)
2000-01	-	(2,739)	(2,739)
2003-04	-	(7,891)	(7,891)
2004-05	-	(9,098)	(9,098)
2005-06	-	(122,630)	(122,630)
2006-07	-	(122,685)	(122,685)
2007-08	-	(10,485)	(10,485)
2008-09	-	(11,226)	(11,226)
2009-10	-	(11,756)	(11,756)
2010-11	-	(2,966)	(2,966)
Total	\$ -	\$ (302,774)	\$ (302,774)

Section VIII. (Offsetting Savings) of the amended parameters and guidelines states:

Reduced or avoided costs realized from implementation of the community college districts' Integrated Waste Management Plan 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, which are 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 Commission's Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item No. 8 – Commission hearing of September 26, 2008) states:

...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:

$$\text{Offsetting Savings} = \frac{\overbrace{\text{Maximum Allowable Diversion \%}}^{\text{Allocated Diversion \%}}}{\text{Actual Diversion \%}} \times \text{Tonnage Diverted} \times \text{Avoided Landfill Disposal Fee (per Ton)}$$

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 Revised Attachment 2 – Summary of Offsetting Savings Calculations.

Allocated Diversion Percentage

Public Resources Code section 42921 requires 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 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 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 2000 through 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 amount of tonnage diverted.

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

The IWM Program was suspended in the FY 2011-12 through FY 2016-17 Budget Acts. Further, 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 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 plan.