

CalRecycle



CalRecycle
Division of Recycling
PRC Section 14556
Quarterly Report

Fiscal Year 2014-2015

February 11, 2016



Goals of the Workshop

- Welcome and introductions
- Goals of the workshop
- Expectations

Adequate Funds Determination PRC §14556(c)

According to PRC Section 14556(c), the department of Resources Recycling and Recovery, after reviewing the information included in the fund condition statement, determines that adequate funds exist to pay the disbursements required pursuant to PRC Division 12.1, and PRC Sections 14581 and 14575. No reduction in payments proportionally, as defined in PRC Section 14581(c), is required at this time.

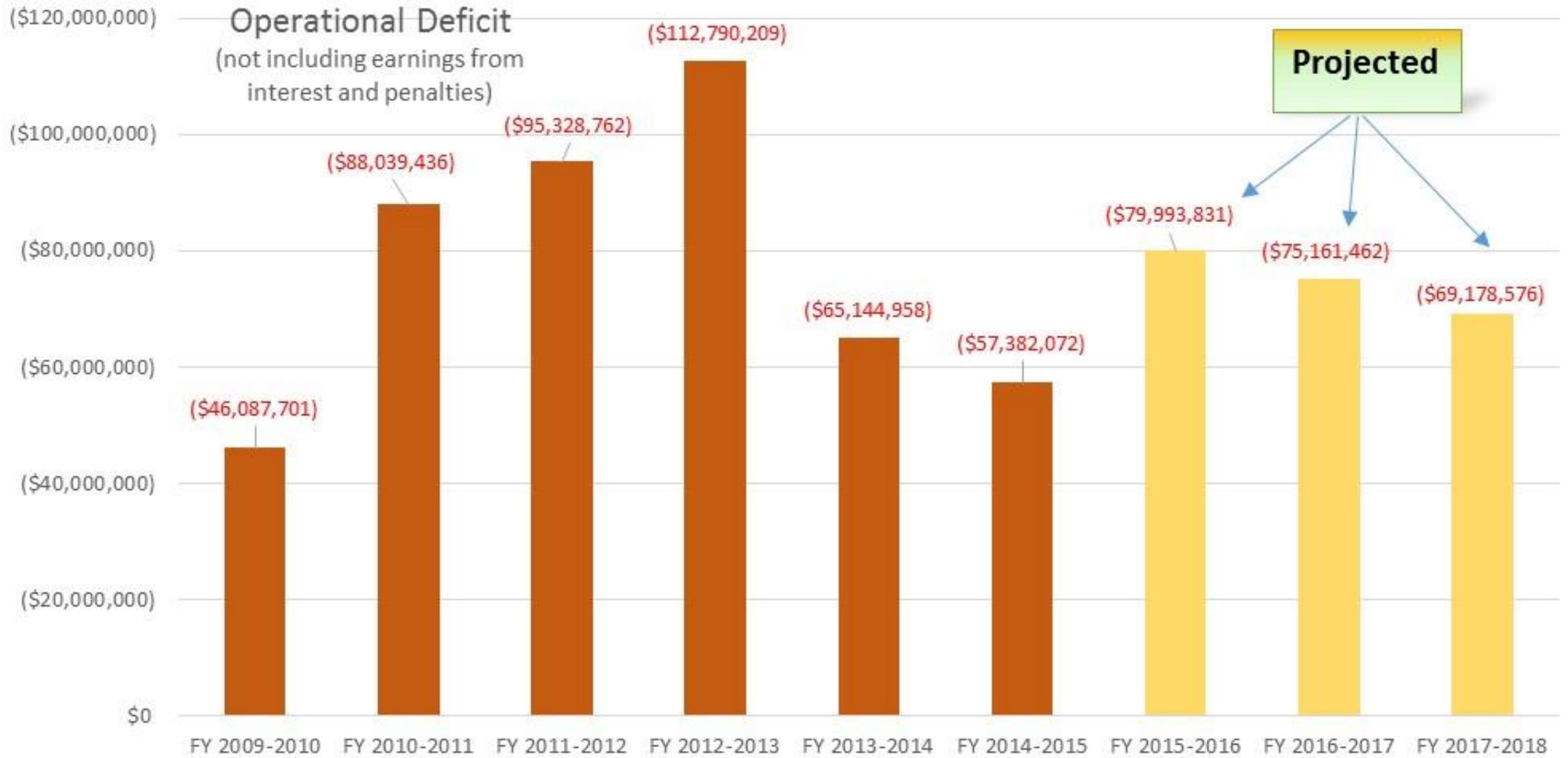
Significant Changes- FORMAT

- Report organized closely following legislative mandate
- FY 2014-2015 data presented quarterly. FY estimates quarterly.
- Consolidated Fund Condition Statements (summary of all funds)
- Projections and data presentation by material type
- 33 tables and 15 figures (compared to 18 tables and 1 figure)

Section 14556 PRC Reporting Requirements

- (a) *Not less than once every three months, the department shall provide to the Legislature pursuant to subdivision (b), at a minimum, all of the following information **for the current fiscal year and the budget year**:*
 - (1) *An updated **fund condition statement** that includes the **revenues, transfers, and expenditures** in to and out of the fund.*
 - (2) *The **recycling rate**, by beverage container **material type**, that is **inferred using the revenues**.*
 - (3) *An explanation of **significant changes** to the fund condition statement from the prior report and significant changes to the **methodology** used for forecasting the fund condition statement.*
 - (4) ***Projected sales**, which include **all actual data available** since the last reporting period, by beverage container **material type and size**, and **actual or projected returns**, which include all actual data available since the last reporting period, by beverage container material type, including an explanation in any case where the actual returns are more than 100 percent of actual sales.*
 - (5) ***Projected handling fee payments**, which include all actual data available since the last reporting period, the **per beverage container handling fee amount**, and the **number of beverage containers** projected to be eligible for a handling fee payment.*
 - (6) ***Projected processing payments**, which include all actual data available since the last reporting period, by beverage container **material type**, showing the total **processing fee offsets, processing fees, and processing payments** for each type of beverage container material.*
 - (7) *Total **grants** awarded during the current fiscal year.*

(Added by Stats. 2010, Ch. 718, Sec. 12. Effective October 19, 2010.)



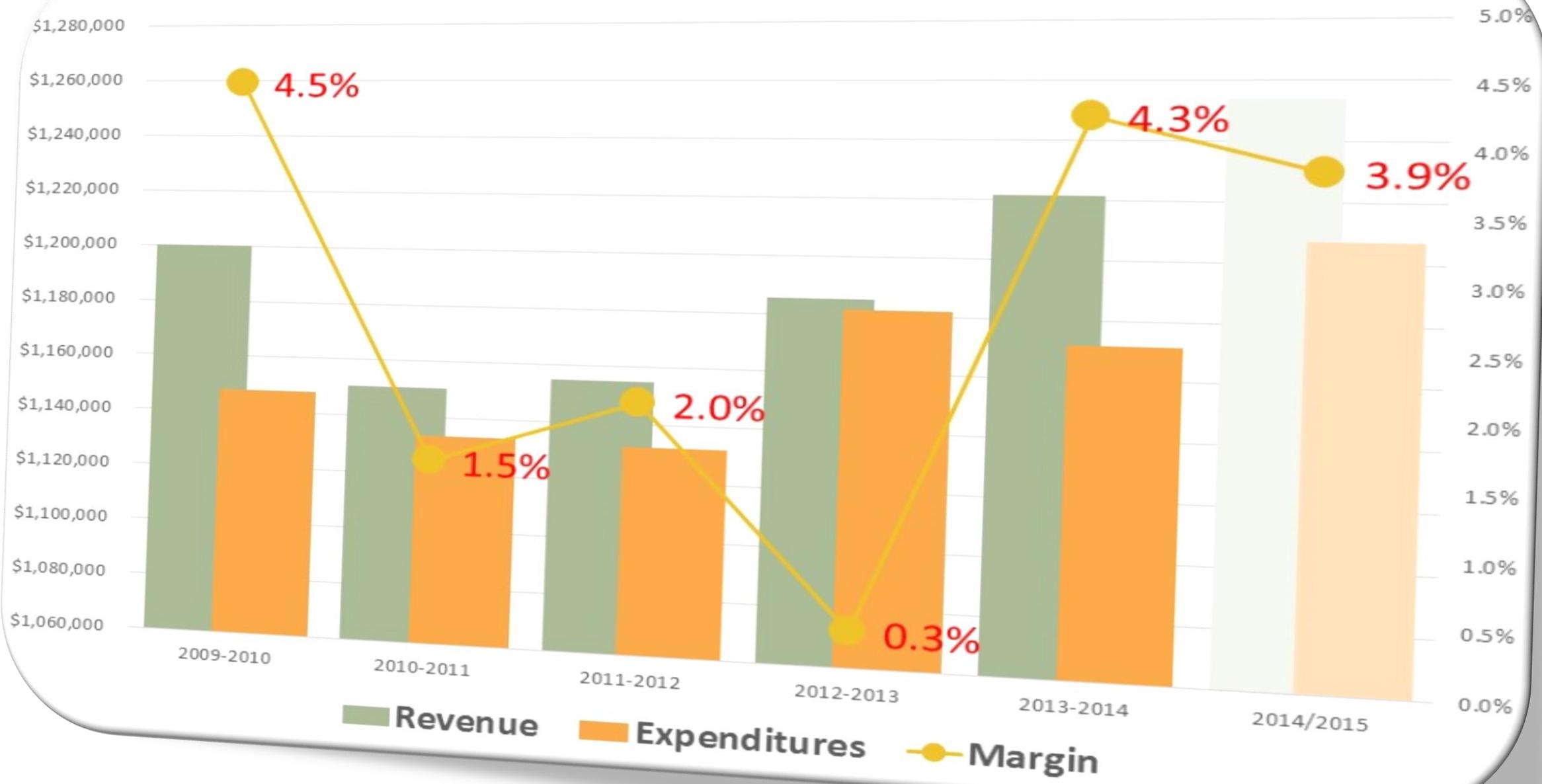
FY	Receipts		Other Income		Surplus/Deficit	
	Receipts	Other Income	Variable Costs	Fixed Costs	Operational Net	Net
FY 2009-2010	\$1,200,094,565	\$5,536,661	(\$1,148,232,817)	(\$97,949,449)	(\$46,087,701)	(\$40,551,040)
FY 2010-2011	\$1,150,521,732	\$22,567,080	(\$1,133,877,123)	(\$104,684,045)	(\$88,039,436)	(\$65,472,356)
FY 2011-2012	\$1,155,057,566	\$18,765,237	(\$1,132,657,852)	(\$117,728,476)	(\$95,328,762)	(\$76,563,525)
FY 2012-2013	\$1,185,221,353	\$865,209	(\$1,183,222,517)	(\$114,789,045)	(\$112,790,209)	(\$111,925,000)
FY 2013-2014	\$1,221,332,563	\$15,193,553	(\$1,171,766,363)	(\$114,711,158)	(\$65,144,958)	(\$49,951,405)
FY 2014-2015	\$1,253,839,460	\$13,503,139	(\$1,207,542,704)	(\$103,678,828)	(\$57,382,072)	(\$43,878,933)
FY 2015-2016	\$1,266,431,600	\$572,000	(\$1,241,240,977)	(\$105,184,454)	(\$79,993,831)	(\$79,421,831)
FY 2016-2017	\$1,266,431,600	\$572,000	(\$1,241,240,977)	(\$100,352,085)	(\$75,161,462)	(\$74,589,462)
FY 2017-2018	\$1,266,431,600	\$572,000	(\$1,241,240,977)	(\$94,369,199)	(\$69,178,576)	(\$68,606,576)

Consolidated Fund Condition Statement	FY 2013-2014 (Adjusted)	FY 2014-2015 (Adjusted)	FY 2015-2016 (Projected)	FY 2016-2017 (Projected)
Beginning Reserve	\$153,015	\$271,464	\$310,061	\$230,640
<i>Transfers</i>	\$168,400	\$82,277		
Net Redemption Fees	\$1,207,802	\$1,240,685	\$1,252,305	\$1,252,305
Processing Fees	\$13,530	\$13,154	\$14,126	\$14,126
Receivables and other Revenues	\$15,193	\$13,503	\$572	\$572
Total Revenues and Net Transfers	\$1,404,925	\$1,349,619	\$1,267,003	\$1,267,003
Refund Value Plus Admin Fees	(\$1,046,417)	(\$1,066,514)	(\$1,091,215)	(\$1,091,215)
Processing Payments	(\$83,466)	(\$90,245)	(\$97,515)	(\$97,515)
Handling Fees	(\$41,883)	(\$50,782)	(\$52,510)	(\$52,510)
Program Expenditures	(\$61,468)	(\$59,229)	(\$55,914)	(\$51,257)
Program Administration	(\$53,242)	(\$44,448)	(\$49,270)	(\$49,095)
Adjustments	\$0	\$196	\$0	\$0
Total Expenditures	(\$1,286,476)	(\$1,311,022)	(\$1,346,424)	(\$1,341,592)
Annual Surplus/(Deficit)	(\$49,951)	(\$43,680)	(\$79,421)	(\$74,589)
Ending Reserve	\$271,464	\$310,061	\$230,640	\$156,051

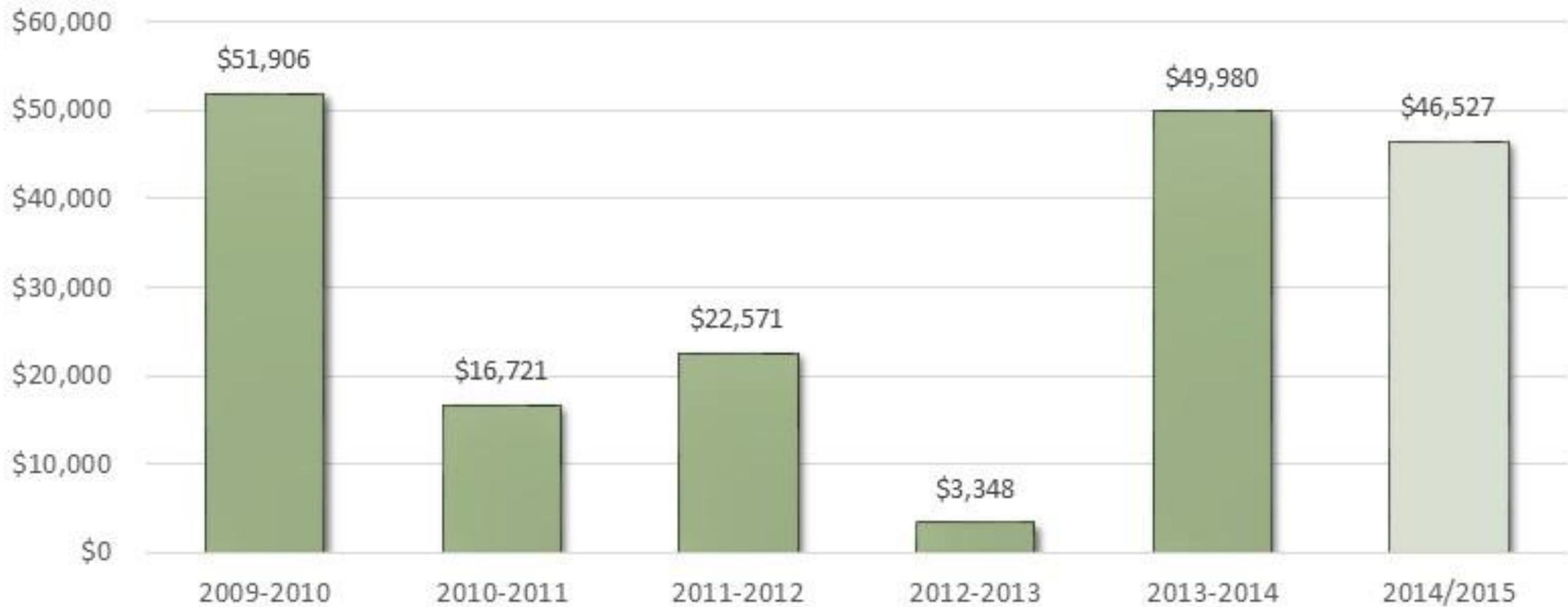
[1] CRV-IN net revenue after deduction of the 1.5% administrative fees held by beverage distributors.

[2] Includes revenues from interest earned and penalties assessed.

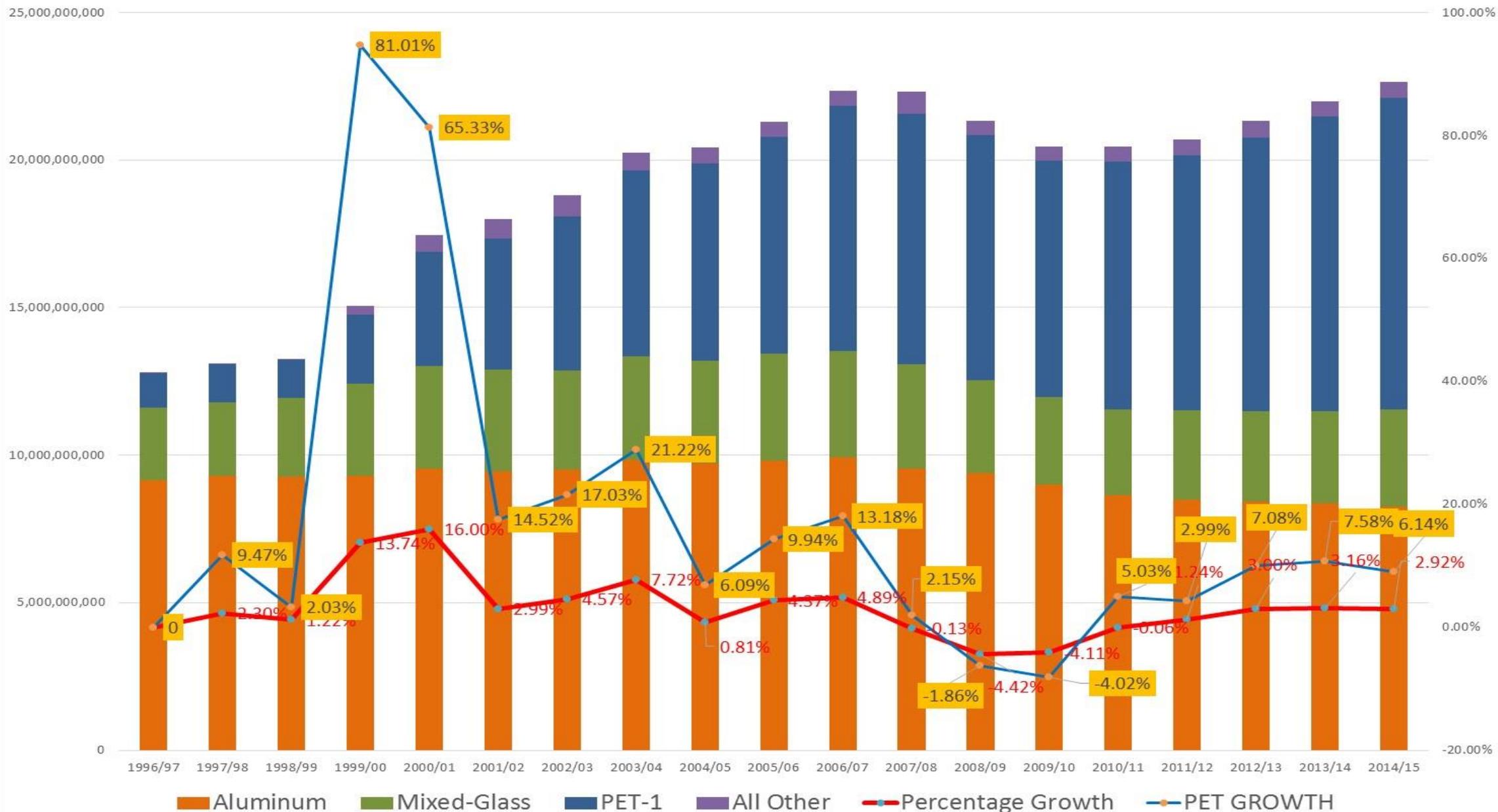
CRV Revenues and Expenditures Trends (\$000)



CRV Margin (\$000)



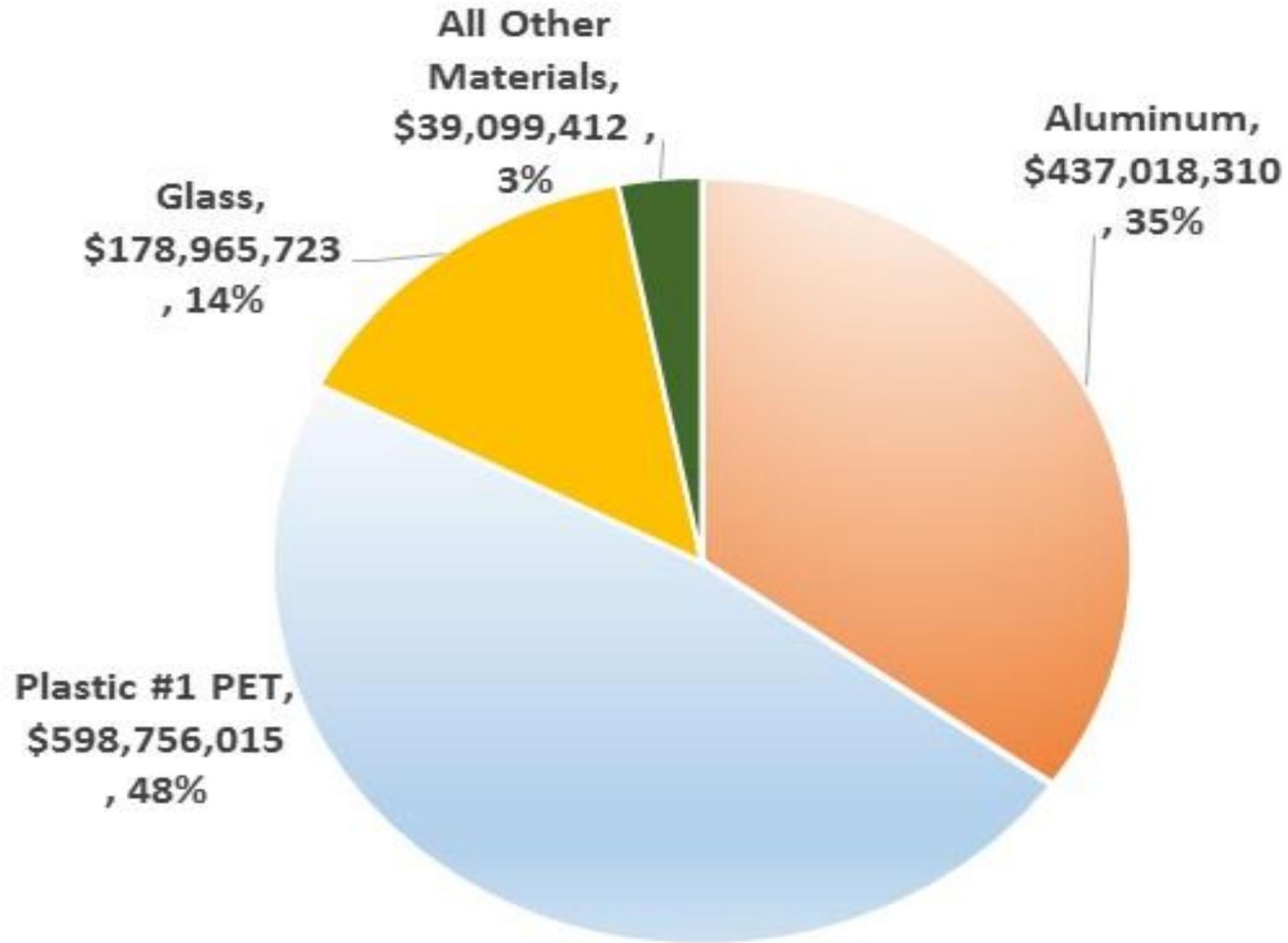
Sales By Material Type and Percentage Growth



Revenues (\$000)

Material Type	Revenue	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
	Type						
Aluminum	CRV-IN*	\$468,583	\$450,613	\$444,074	\$440,595	\$440,534	\$437,018
Plastic #1 PET	CRV-IN*	\$464,538	\$482,003	\$496,986	\$527,661	\$567,318	\$596,908
	Processing Fees	\$30,376	\$14,142	\$2,464	\$452	\$1,439	\$1,848
Glass	CRV-IN*	\$164,938	\$156,702	\$162,159	\$166,843	\$165,464	\$172,572
	Processing Fees	\$27,985	\$6,492	\$6,879	\$7,431	\$6,915	\$6,393
All Other Materials	CRV-IN*	\$34,482	\$33,032	\$36,654	\$36,854	\$34,486	\$34,187
	Processing Fees	\$9,194	\$7,537	\$5,841	\$5,385	\$5,177	\$4,913
TOTAL		\$1,200,095	\$1,150,522	\$1,155,058	\$1,185,221	\$1,221,333	\$1,253,839

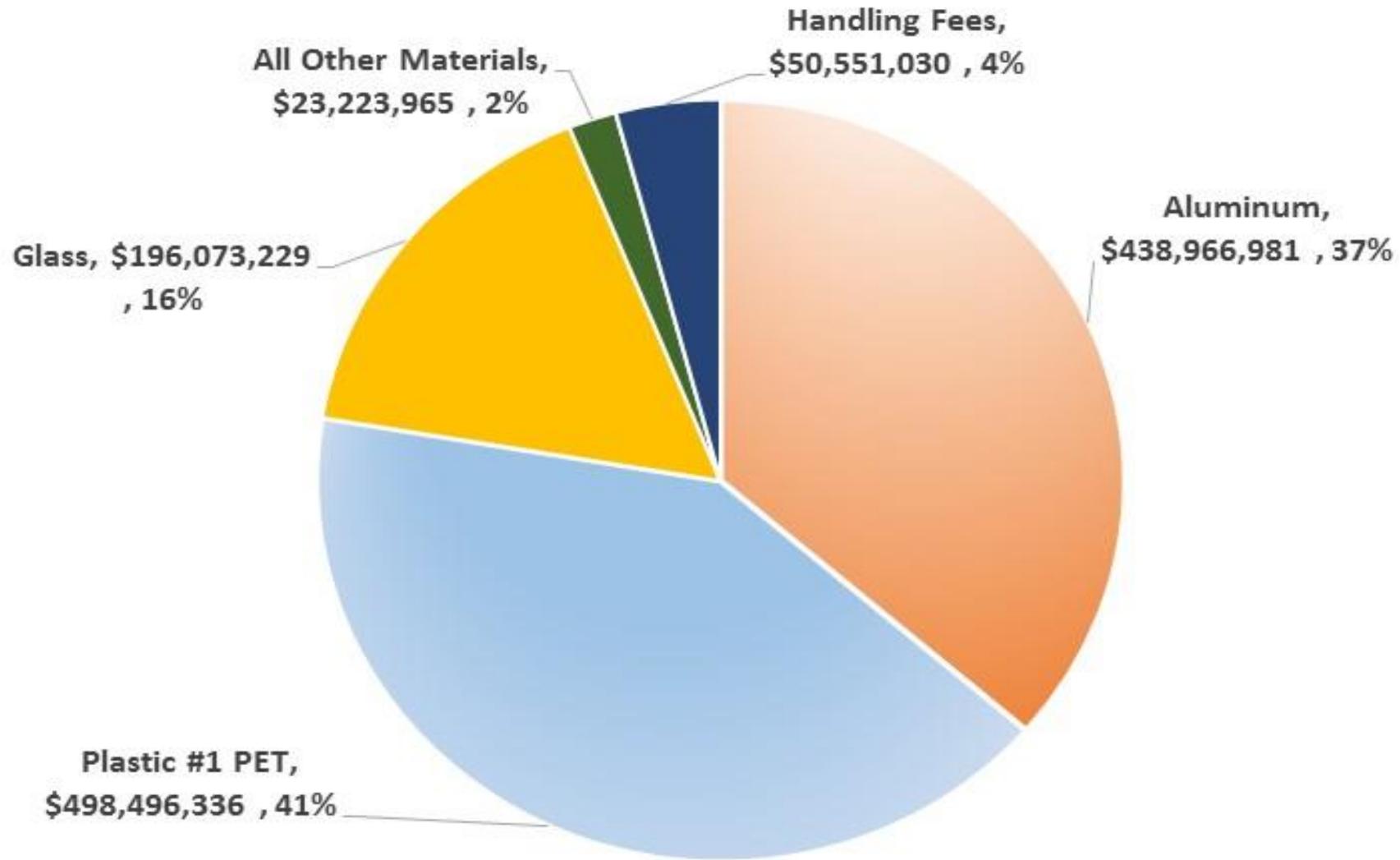
Revenues by Material Type (FY 2014-2015)



Expenditures (\$000)

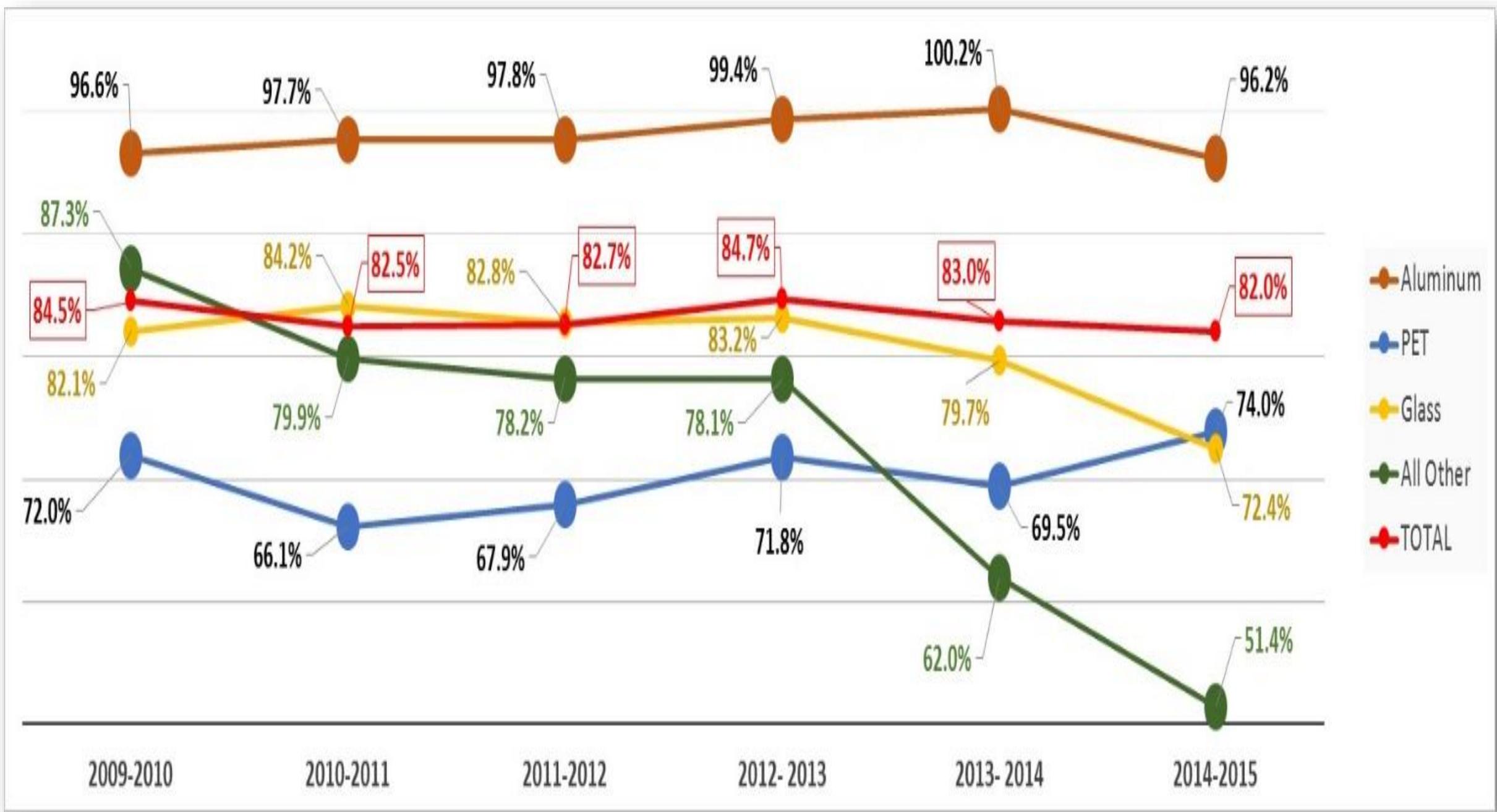
Material Type	Expenditure	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
	Type						
Aluminum	CRV-Paid	\$460,826	\$452,783	\$441,951	\$448,278	\$436,621	\$428,260
	Admin Fee	\$11,521	\$11,320	\$11,049	\$11,207	\$10,916	\$10,707
Plastic #1 PET	CRV-Paid	\$363,081	\$356,216	\$380,400	\$423,754	\$427,312	\$462,705
	Admin Fee	\$9,077	\$8,905	\$9,510	\$10,594	\$10,683	\$11,568
	Processing Payments	\$44,394	\$38,645	\$13,958	\$2,458	\$17,311	\$24,224
Glass	CRV-Paid	\$139,664	\$136,353	\$140,428	\$143,448	\$135,271	\$131,684
	Admin Fee	\$3,492	\$3,409	\$3,511	\$3,586	\$3,382	\$3,292
	Processing Payments	\$53,089	\$52,345	\$56,696	\$61,041	\$60,032	\$61,097
All Other Materials	CRV-Paid	\$30,549	\$26,795	\$29,107	\$29,238	\$21,691	\$17,853
	Admin Fee	\$764	\$670	\$728	\$731	\$542	\$446
	Processing Payments	\$6,904	\$7,602	\$7,406	\$7,976	\$6,123	\$4,924
Handling Fees		\$24,829	\$38,760	\$37,744	\$39,562	\$41,469	\$50,551
TOTAL		\$1,148,189	\$1,133,801	\$1,132,487	\$1,181,873	\$1,171,353	\$1,207,312

Expenditures by Material Type (FY 2014-2015)

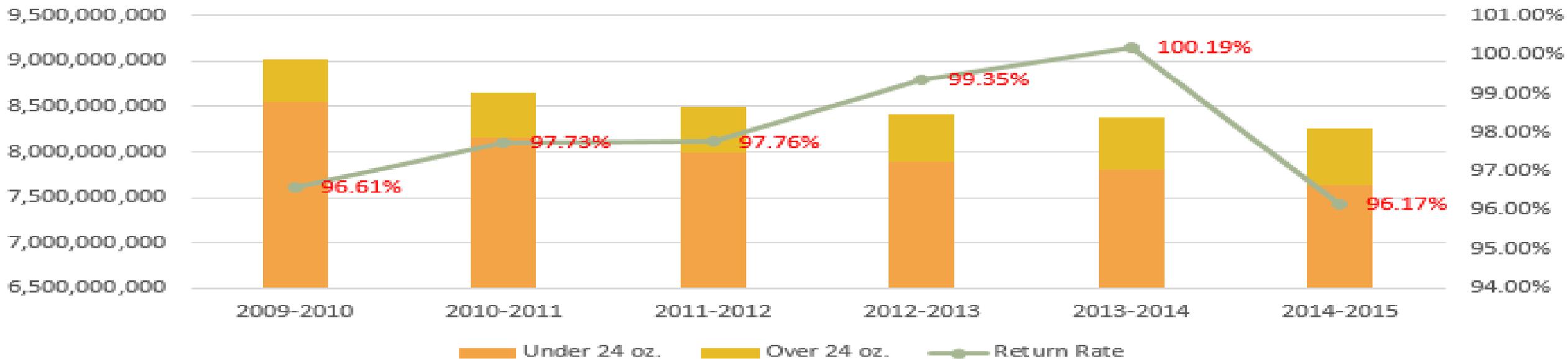


Other Fund Expenditures		FY 2014-2015 (Actual)
Fixed Cost -14581 Program		\$59,229,943
<i>Beverage Container Recycling Grants</i>		\$1,347,593
<i>City/County Payments</i>		\$10,500,000
<i>Curbside Supplemental Payments</i>		\$15,000,000
<i>Local Conservation Corps Grants</i>		\$13,526,396
<i>Plastic Market Development</i>		\$9,999,723
<i>Public Information and Education</i>		\$0
<i>Quality Incentive Payment</i>		\$8,856,231
Fixed Cost-Administration		\$44,448,886
<i>Fiscal</i>		\$85,000
<i>Pro Rata</i>		\$0
<i>State Operations SB 96</i>		\$609,432
<i>Program Administration</i>		\$42,739,454
<i>State Controller Expenses</i>		\$1,015,000
TOTAL		\$103,678,829

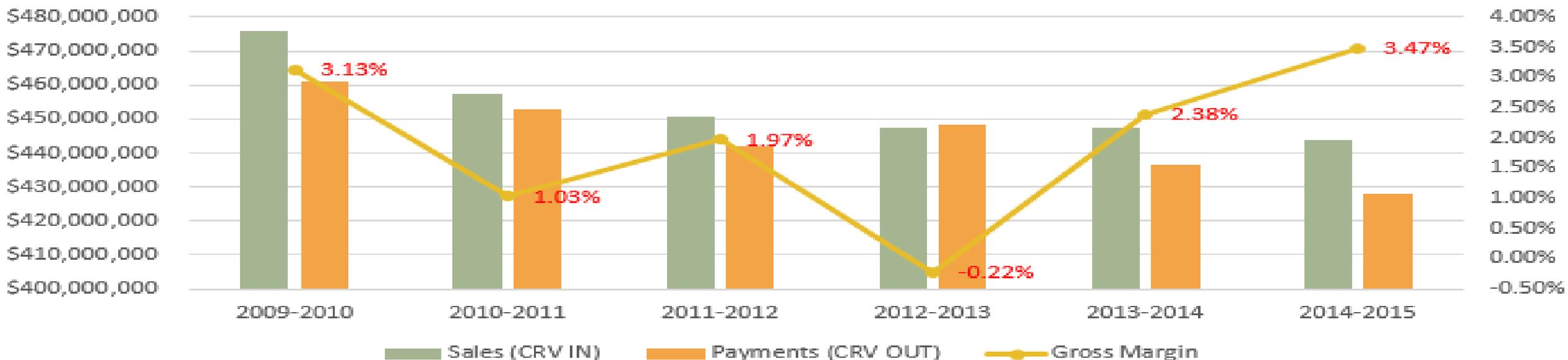
Fiscal Year 2014-15	1Q (July-Sept)	2Q (Oct-Dec)	3Q (Jan-March)	4Q (Apr-June)	TOTAL FY 14-15
CRV IN	\$339,670,491	\$295,840,700	\$276,305,831	\$328,868,370	\$1,240,685,392
Processing Fees	\$3,448,726	\$3,473,517	\$2,862,009	\$3,369,815	\$13,154,067
Other Income	\$41,641	\$140,434	\$259,003	\$13,062,218	\$13,503,296
TOTAL REVENUES	\$343,160,858	\$299,454,651	\$279,426,843	\$345,300,403	\$1,267,342,755
CRV OUT	\$288,574,416	\$249,335,428	\$238,111,197	\$264,481,151	\$1,040,502,193
Admin Fees	\$7,214,362	\$6,233,387	\$5,952,781	\$6,612,030	\$26,012,562
Processing Payments	\$25,202,487	\$21,718,608	\$20,891,585	\$22,433,076	\$90,245,755
Handling Fees	\$13,682,633	\$12,141,189	\$11,870,188	\$13,088,184	\$50,782,194
14581 Costs	\$4,480,399	\$6,812,372	\$3,385,470	\$44,551,701	\$59,229,942
Admin Costs	\$8,003,526	\$9,604,412	\$9,690,610	\$16,954,338	\$44,252,886
TOTAL COSTS	\$347,157,824	\$305,845,397	\$289,901,832	\$368,120,480	\$1,311,025,532
Surplus/(Deficit)	(\$3,996,966)	(\$6,390,745)	(\$10,474,989)	(\$22,820,077)	(\$43,682,777)
<i>RETURN RATE</i>	83.68%	83.02%	84.88%	79.22%	82.61%
<i>Rate of Growth CRV-IN</i>	2.91%	3.38%	5.22%	-0.03%	2.72%
<i>Rate of Growth Returns</i>	-1.46%	-1.47%	6.59%	5.12%	1.92%



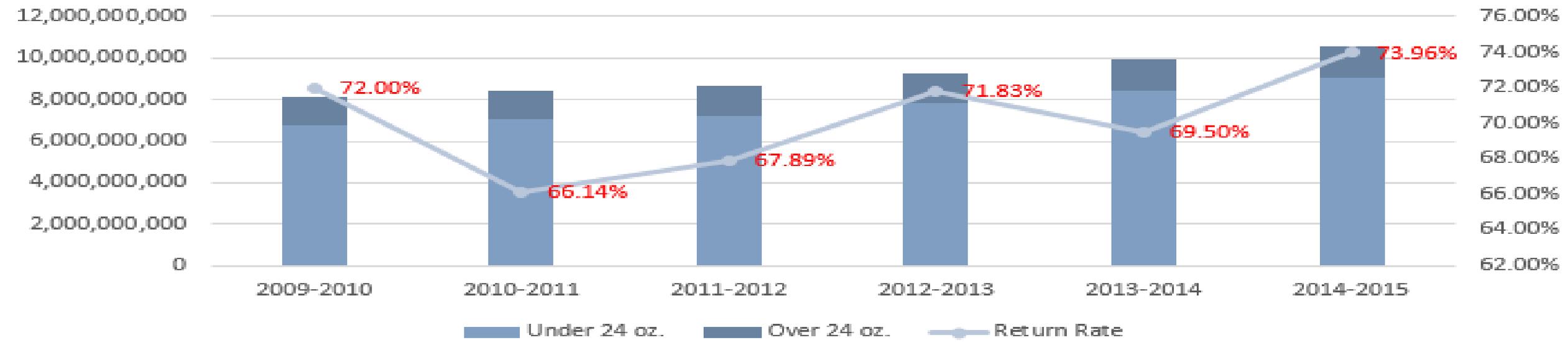
Aluminum Units Sold and Returned



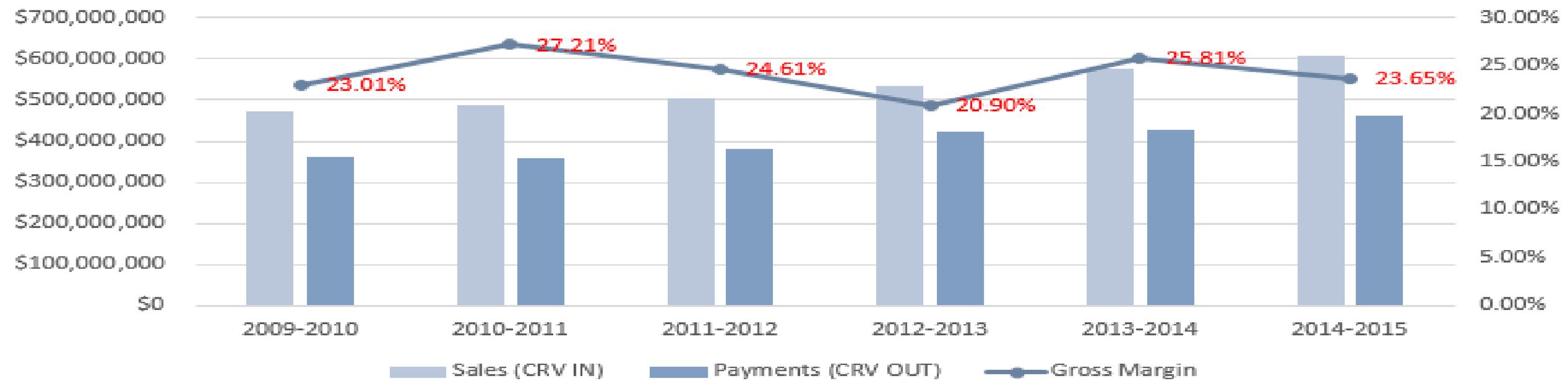
Aluminum CRV Collected and Paid



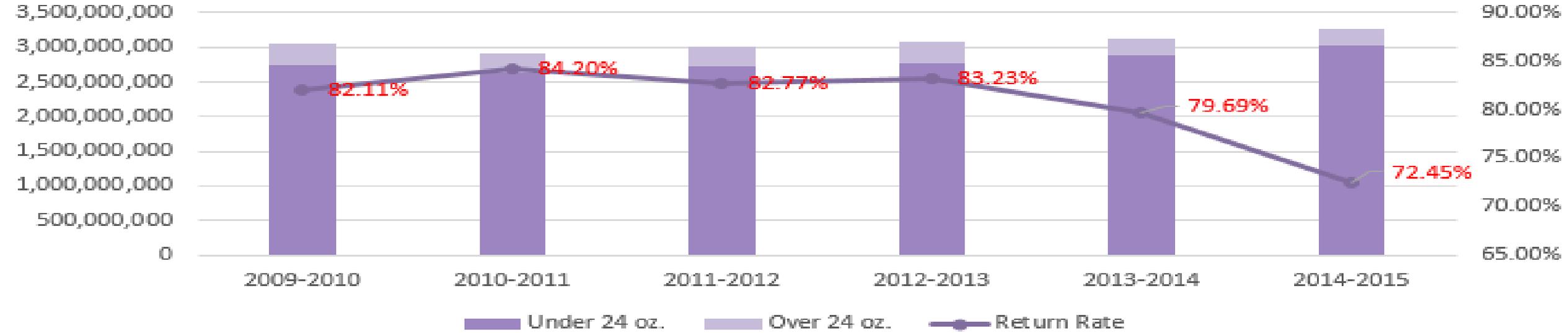
PET Units Sold and Returned



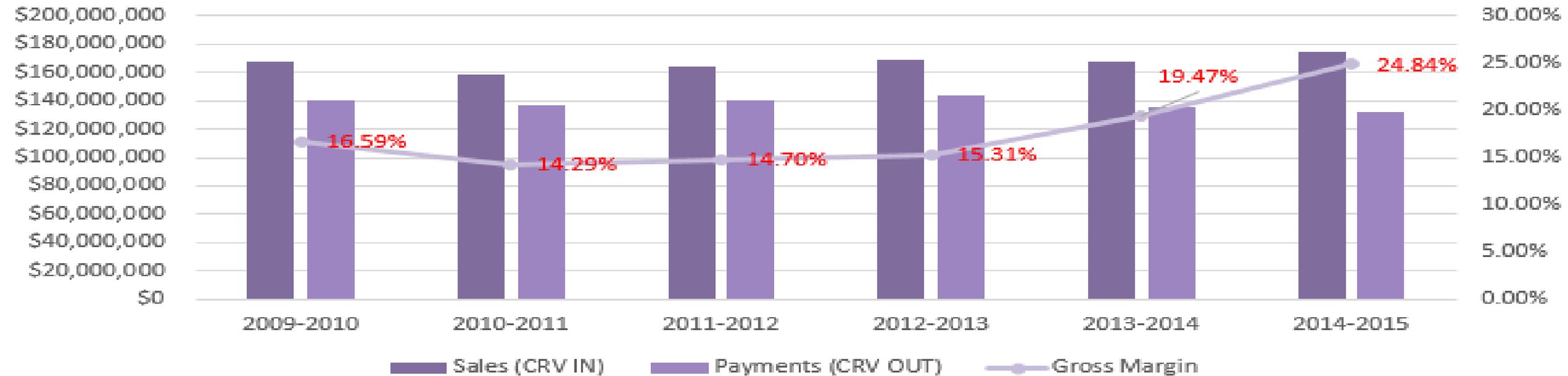
PET CRV Collected and Paid



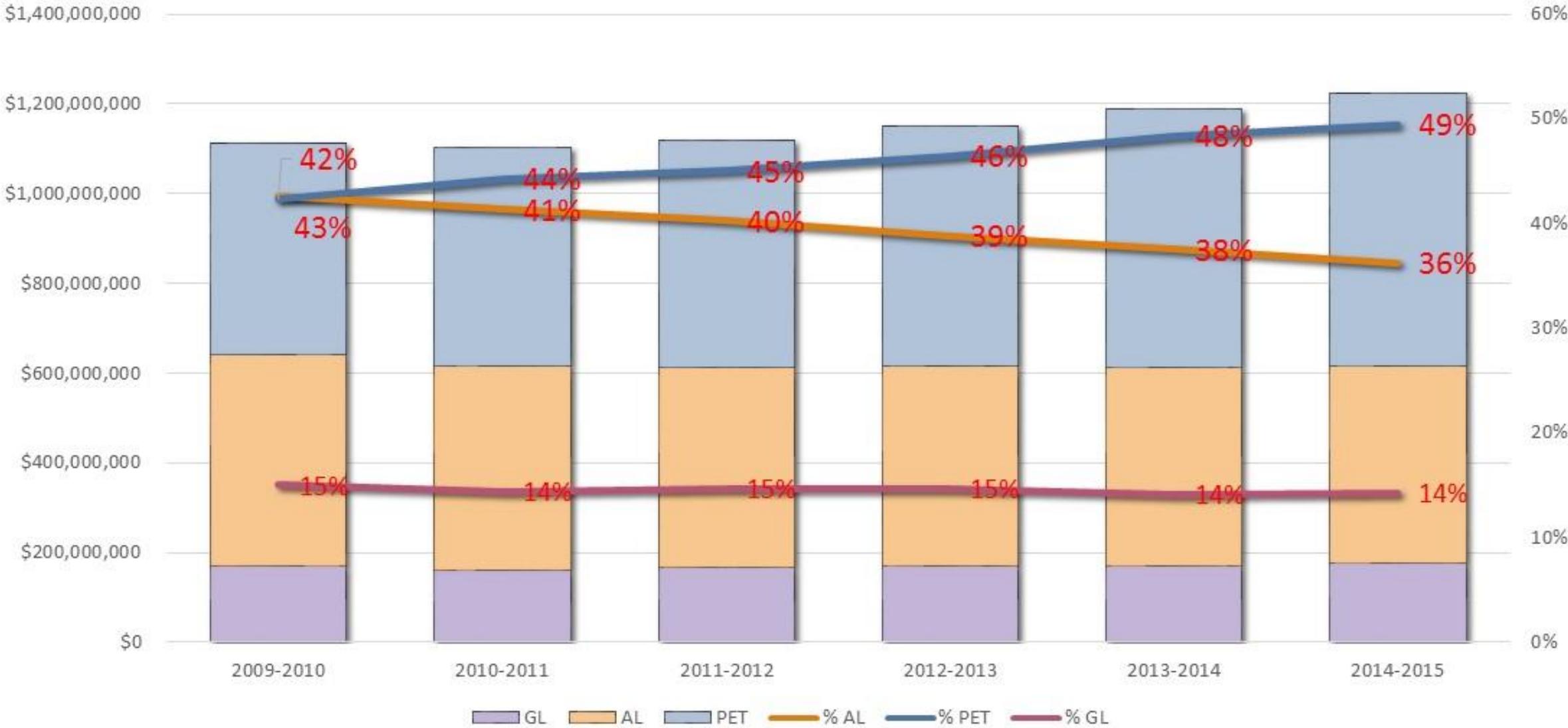
Glass Units Sold and Returned



Glass CRV Collected and Paid



Sales Received (\$) By Material Type



Cash (\$) position as of June 30, 2015 (02/09/2016 \$232M)

FUND/ACCOUNT	Cash in State Treasury (1140)	Surplus Money Investment Fund (1210)	Loans - Legislative (2170)	Loans - Non-Legislative (1410)	Total Assets
Beverage Container Recycling Fund - 0133	\$132	\$238,100,000	\$0	\$0	\$238,100,132
Glass Processing Fee Account - 0269	\$380	\$5,742,000	\$0	\$0	\$5,742,380
Bimetal Processing Fee Account - 0277	\$850	\$17,116,000	\$0	\$0	\$17,116,850
Plastic Processing Fee Account - 0278	\$233	\$1,061,000	\$0	\$0	\$1,061,233
Penalty Account - 0276	\$35	\$5,449,000	\$0	\$0	\$5,449,035
TOTAL	\$1,630	\$267,468,000	\$ 0	\$ 0	\$267,469,630

TOTAL ASSETS (Cash + Loans)

800,000,000

700,000,000

600,000,000

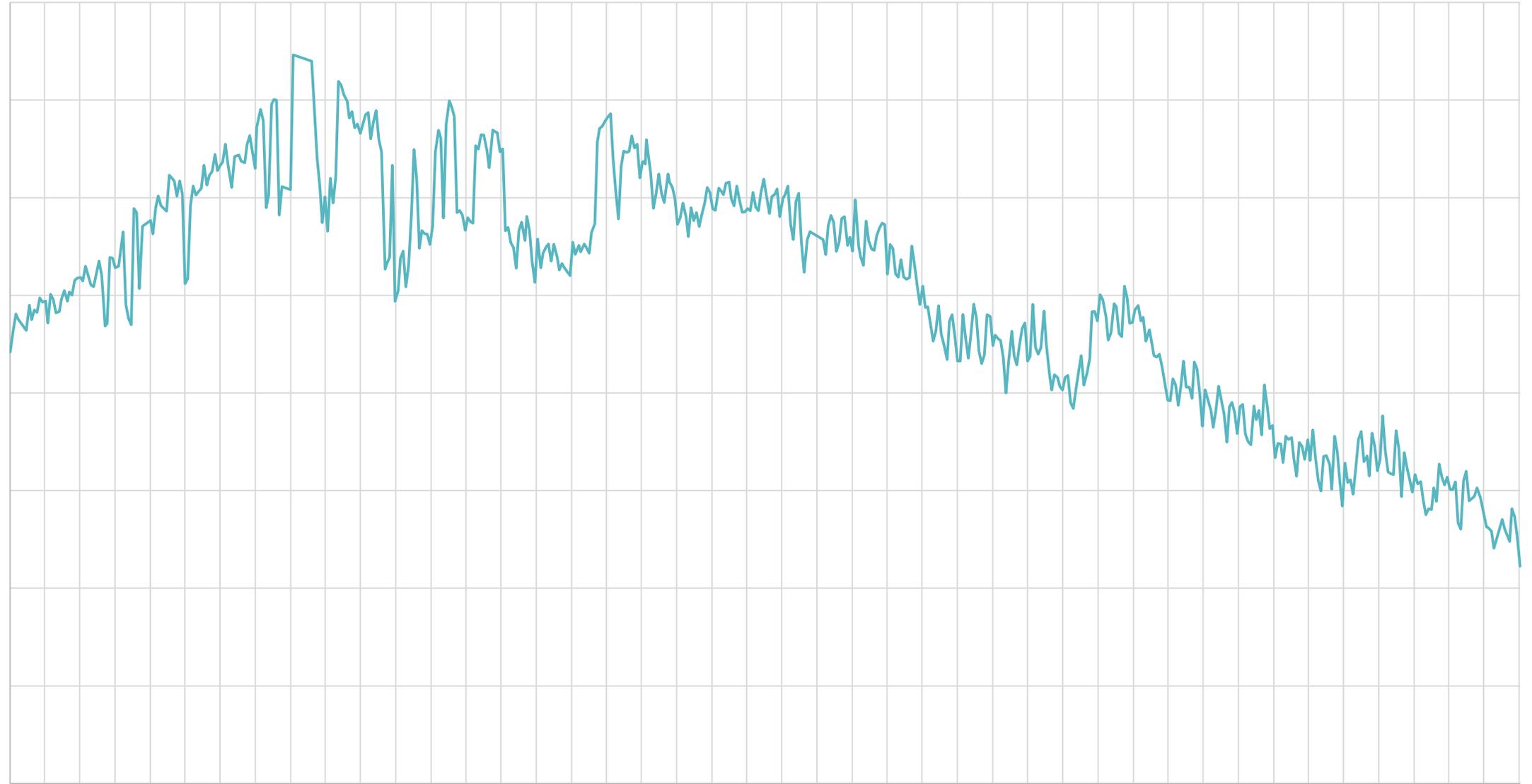
500,000,000

400,000,000

300,000,000

200,000,000

100,000,000



1/3/05 4/3/05 7/3/05 10/3/05 1/3/06 4/3/06 7/3/06 10/3/06 1/3/07 4/3/07 7/3/07 10/3/07 1/3/08 4/3/08 7/3/08 10/3/08 1/3/09 4/3/09 7/3/09 10/3/09 1/3/10 4/3/10 7/3/10 10/3/10 1/3/11 4/3/11 7/3/11 10/3/11 1/3/12 4/3/12 7/3/12 10/3/12 1/3/13 4/3/13 7/3/13 10/3/13 1/3/14 4/3/14 7/3/14 10/3/14 1/3/15 4/3/15 7/3/15 10/3/15

CASH FLOW (Monthly Volatility)

\$150,000,000

\$100,000,000

\$50,000,000

\$0

-\$50,000,000

-\$100,000,000

-\$150,000,000

1/14/04

5/28/05

10/10/06

2/22/08

7/6/09

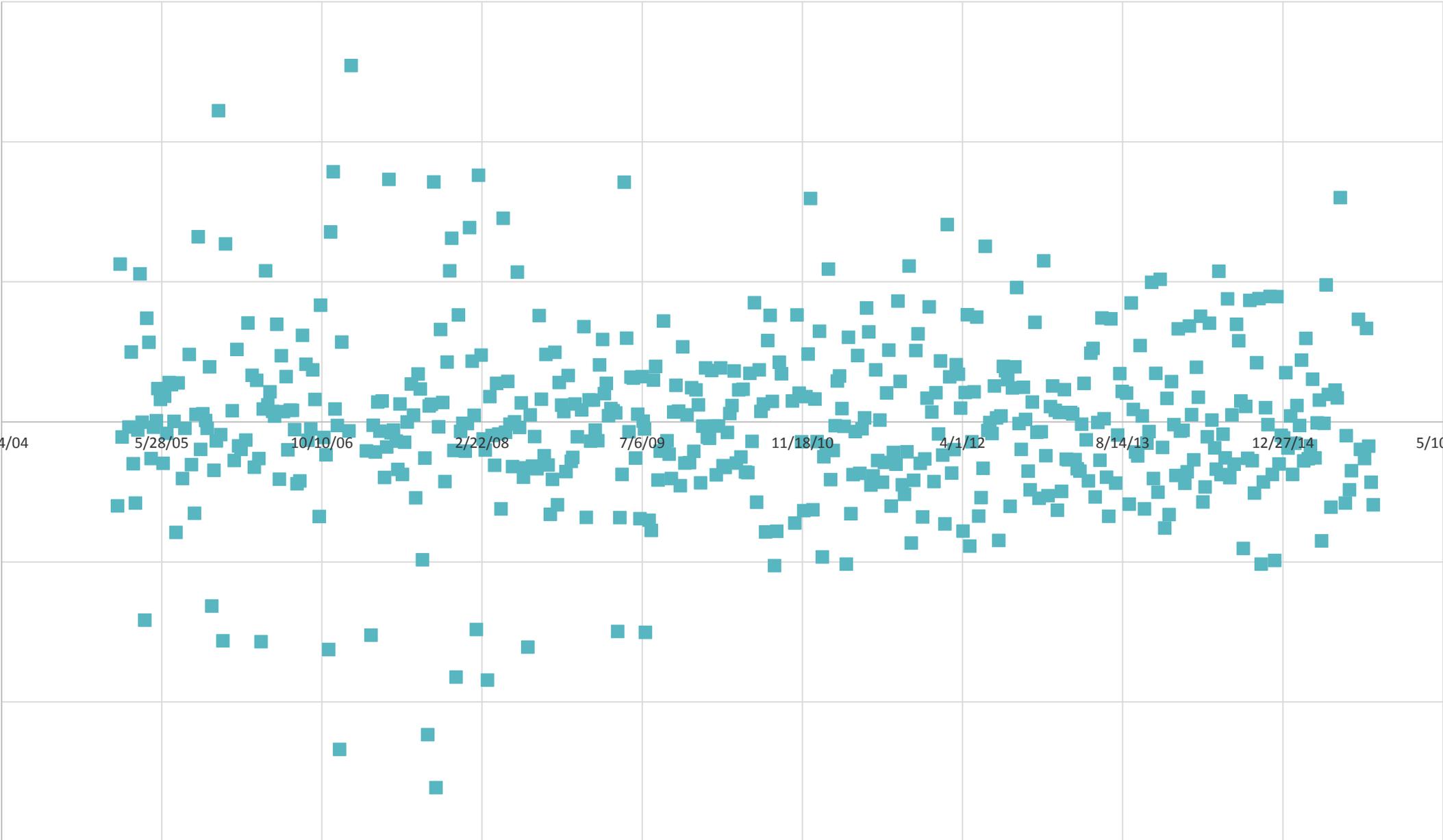
11/18/10

4/1/12

8/14/13

12/27/14

5/10/16



Transfers

Transfers	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Beginning Balance Out of Fund	\$496,847,000	\$377,377,000	\$267,077,000	\$250,677,000	\$82,277,000
Transfers In to Fund	\$119,470,000	\$110,300,000	\$16,400,000	\$168,400,000	\$82,277,000
Transfers Out of Fund	\$0	\$0	\$0	\$0	\$0
End Balance Out of Fund	\$377,377,000	\$267,077,000	\$250,677,000	\$82,277,000	\$0



CalRecycle



PROJECTIONS

For Fiscal Year 2015-2016 (and beyond...)

February 11, 2016

PRC §14556

- *(4) **Projected sales**, which include **all actual data available** since the last reporting period, by beverage container **material type and size**, and **actual or projected returns**, which include all actual data available since the last reporting period, by beverage container material type, including an explanation in any case where the actual returns are more than 100 percent of actual sales.*
- *(5) **Projected handling fee payments**, which include all actual data available since the last reporting period, the **per beverage container handling fee amount**, and the **number of beverage containers** projected to be eligible for a handling fee payment.*
- *(6) **Projected processing payments**, which include all actual data available since the last reporting period, by beverage container **material type**, showing the total **processing fee offsets, processing fees, and processing payments** for each type of beverage container material.*

PROJECTIONS

- Annual
- Quarter (Monthly)
- Seasonality
- By Material Type
- Revenues
 - Sales
 - Processing Fees
- Expenditures
 - Returns
 - Processing Payments
 - Scrap Prices
 - Cost of Recycling
 - Handling Fees
 - Budgeted Expenditures

Projections Short Term- FY 2015-2016

- Projections based on current budget, trends in sales and expected recycling rates.
- **Projections:**
 - FY 2014-2015 **operational** deficit: \$57,382,072. FY 2015-2016 1Q projections: \$79,993,831.
 - Rate of growth of sales 0.94% (previous FY 3.71%)
 - Rate of growth of returns: 2.32% (previous FY 0.51%)
 - Sales of PET growing at 2.61%!!! (previous FY 5.2%) and returns @ 6.93% (previous FY @ 8.3%)

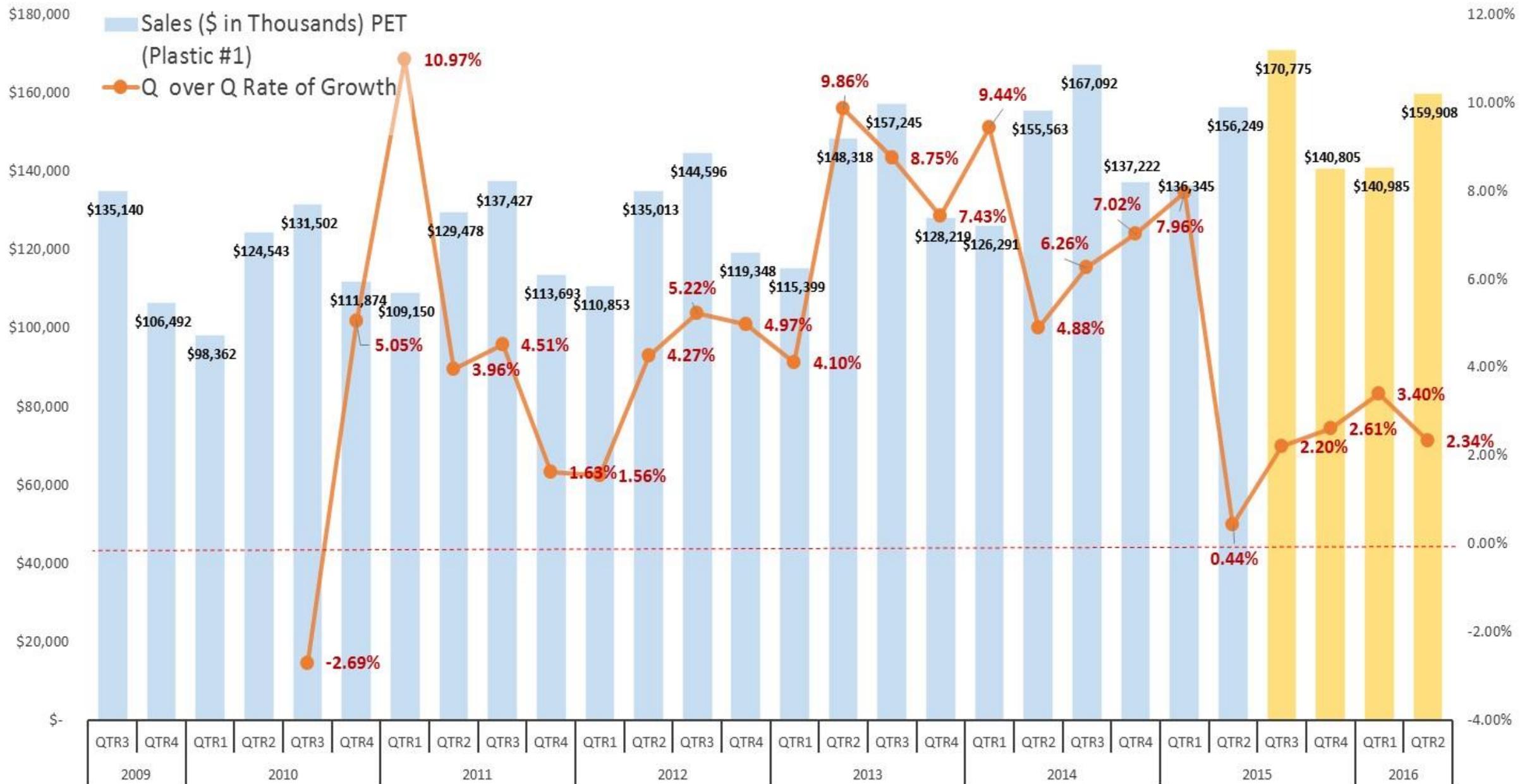


FACTOR ^α	PROJECTED DIRECTION ^α	CASH IMPACT ON FUND ^α
1. → Changes in recycling (return) rates ^α	α ↑	α ↓
2. → Changes in sales (demographics, new products, seasonal, events) ^α	α ↑	α ↑
3. → Change in water consumption versus all other ^α	α ↑	α ↑ α ↓
4. → Changes in container size LT24/GT24 ^α	α ↑	α ↔
5. → Changes in material types (PET/AL/GLASS) ^α	α ↑	α ↑ α ? ↔
6. → Changes in scrap value prices ^α	α ↓	α ↓
7. → Containers per segregated pound survey results ^α	α ↓	α ↑ α ↔
8. → Handling Fees, Processing Payments, etc. ^α	α ↔	α ↔
9. → Fraud rates (compliance rates) ^α	α ↓	α ↑
10. → CRV rates per container (5¢, 10¢) ^α	α ↔	α ↔
11. → Temperature/Weather/Drought/Seasonality (El Niño) ^α	α ↑ α ↓	α ↑ α ↔
12. → Impact of Reform Measures ^α	α ↑	α ↑
13. → Closure of Recycling Centers (cost of recycling) ^α	α ↑	α ↑

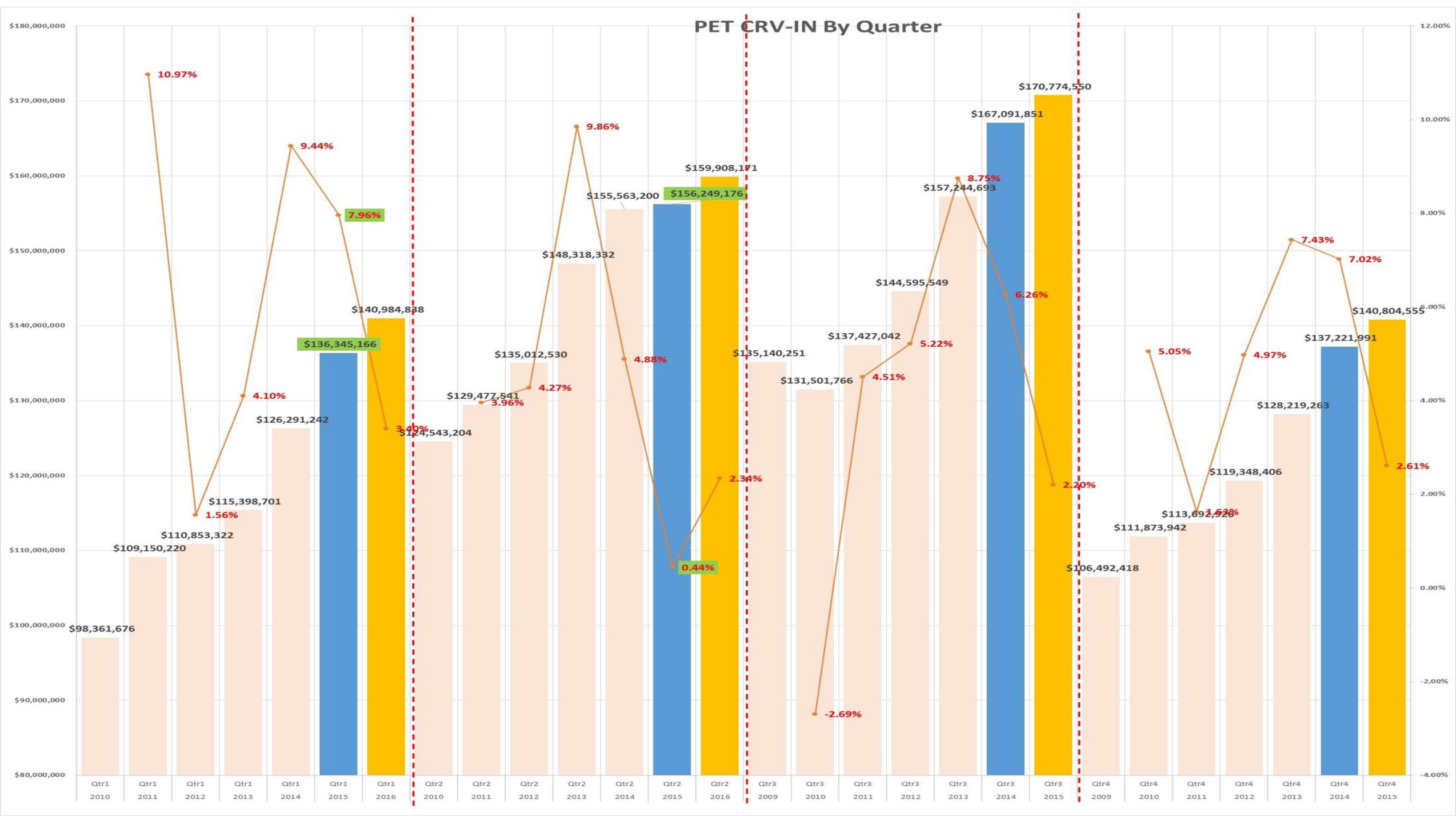
Fiscal Year 2015-16 PROJECTIONS	1Q (July-Sept) (Projected)	2Q (Oct-Dec) (Projected)	3Q (Jan-March) (Projected)	4Q (Apr-June) (Projected)	TOTAL FY 15-16 (Projected)
CRV IN	\$340,898,180	\$298,271,336	\$281,138,168	\$331,997,800	\$1,252,305,485
Processing Fees	\$3,869,373	\$3,356,110	\$3,360,771	\$3,539,682	\$14,126,115
Other Income	\$143,000	\$143,000	\$143,000	\$143,000	\$572,000
TOTAL REVENUES	\$344,910,553	\$301,770,446	\$284,641,940	\$335,680,482	\$1,267,003,420
CRV OUT	\$295,534,515	\$254,107,275	\$244,407,294	\$270,550,721	\$1,064,599,805
Admin Fees	\$7,388,363	\$6,352,682	\$6,110,182	\$6,763,768	\$26,614,995
Processing Payments	\$27,035,035	\$23,063,420	\$22,805,417	\$24,611,793	\$97,515,665
Handling Fees	\$14,576,998	\$12,533,633	\$12,055,189	\$13,344,692	\$52,510,512
14581 Costs	\$4,233,347	\$6,436,733	\$3,198,793	\$42,045,581	\$55,914,454
Fixed Costs	\$9,236,408	\$11,083,899	\$11,183,375	\$17,766,319	\$49,270,000
TOTAL COSTS	\$358,004,665	\$313,577,642	\$299,760,250	\$375,082,874	\$1,346,425,431
Surplus/(Deficit)	(\$13,094,112)	(\$11,807,196)	(\$15,118,310)	(\$39,402,392)	(\$79,422,011)
RETURN RATE	85.39%	83.92%	85.63%	80.27%	83.74%
Rate of Growth CRV-IN	0.36%	0.82%	1.75%	0.95%	0.94%
Rate of Growth Returns	2.41%	1.91%	2.64%	2.29%	2.32%

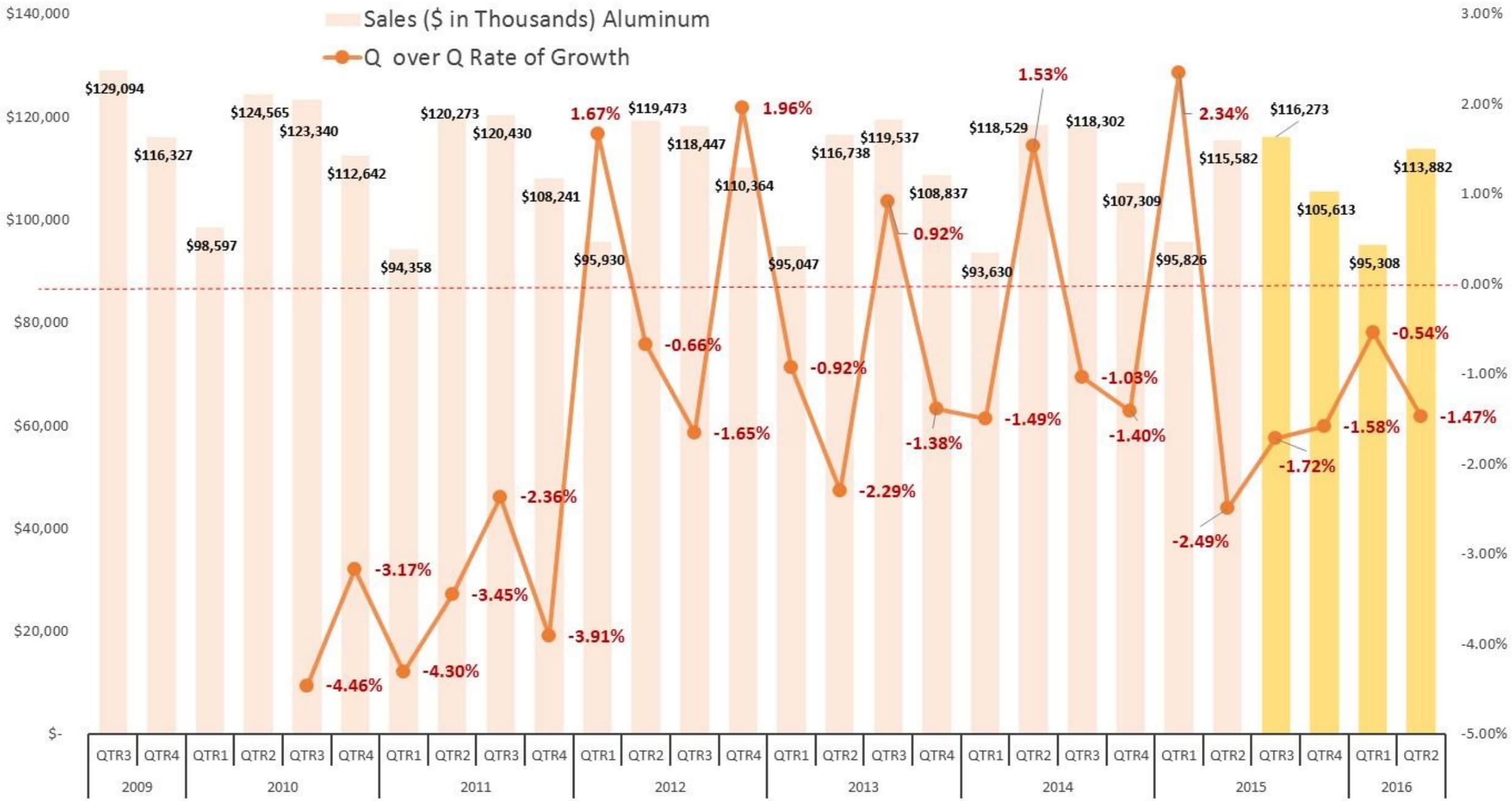
Projecting Sales (How do we do it?)

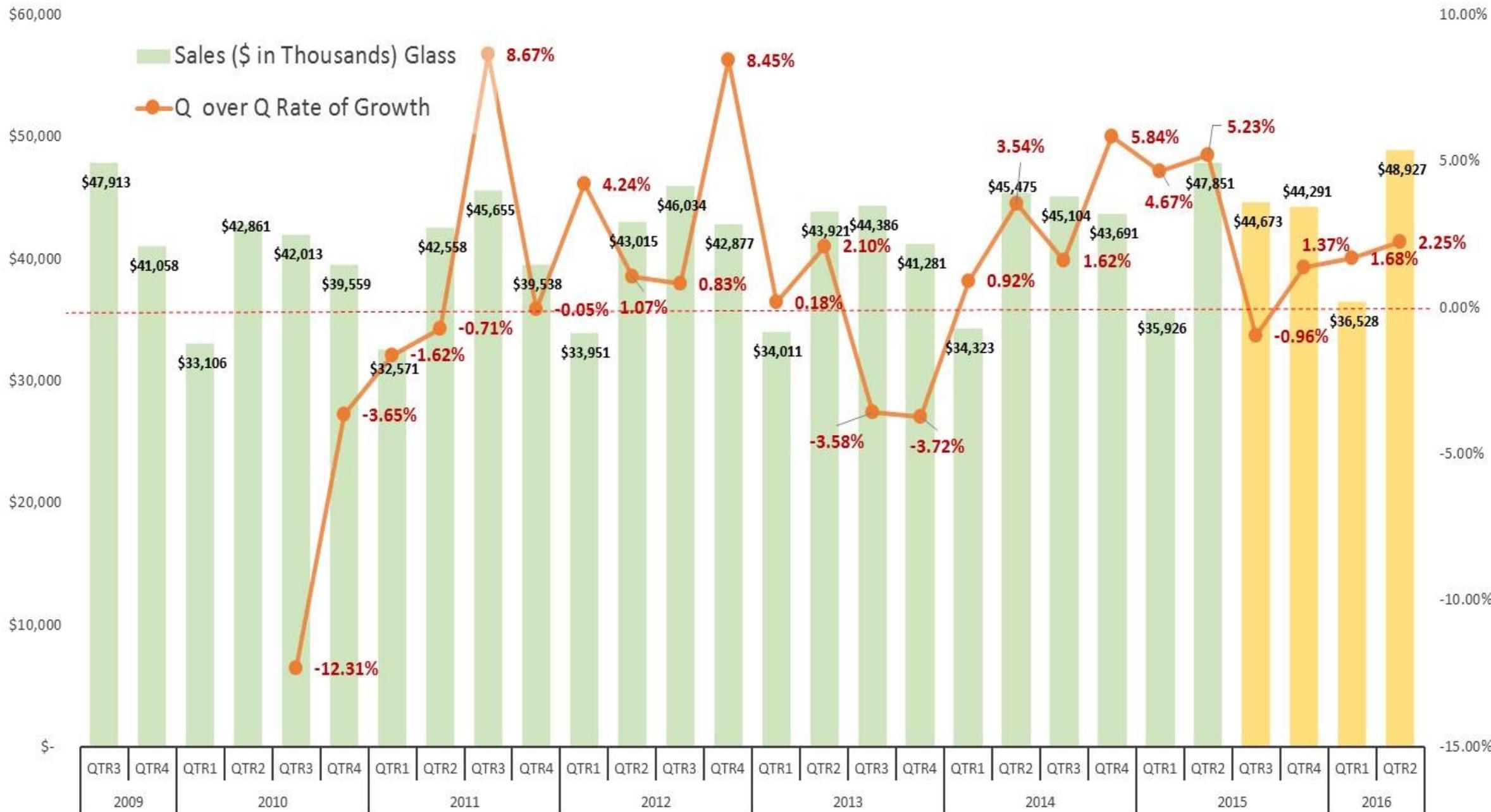
- Magic Box?
 - Adjust for Seasonality
 - By quarter (correct for timing of season..)
 - By Material type
 - Trends analysis (forecasting, statistical analysis)
 - Adjust for demographics (1% annual population growth rate)
 - Adjust for substitution of container material
 - Adjust for changes in weather.... Drought! El Niño!
 - Follow up closely!!!!!! And adjust!
 - And ??????

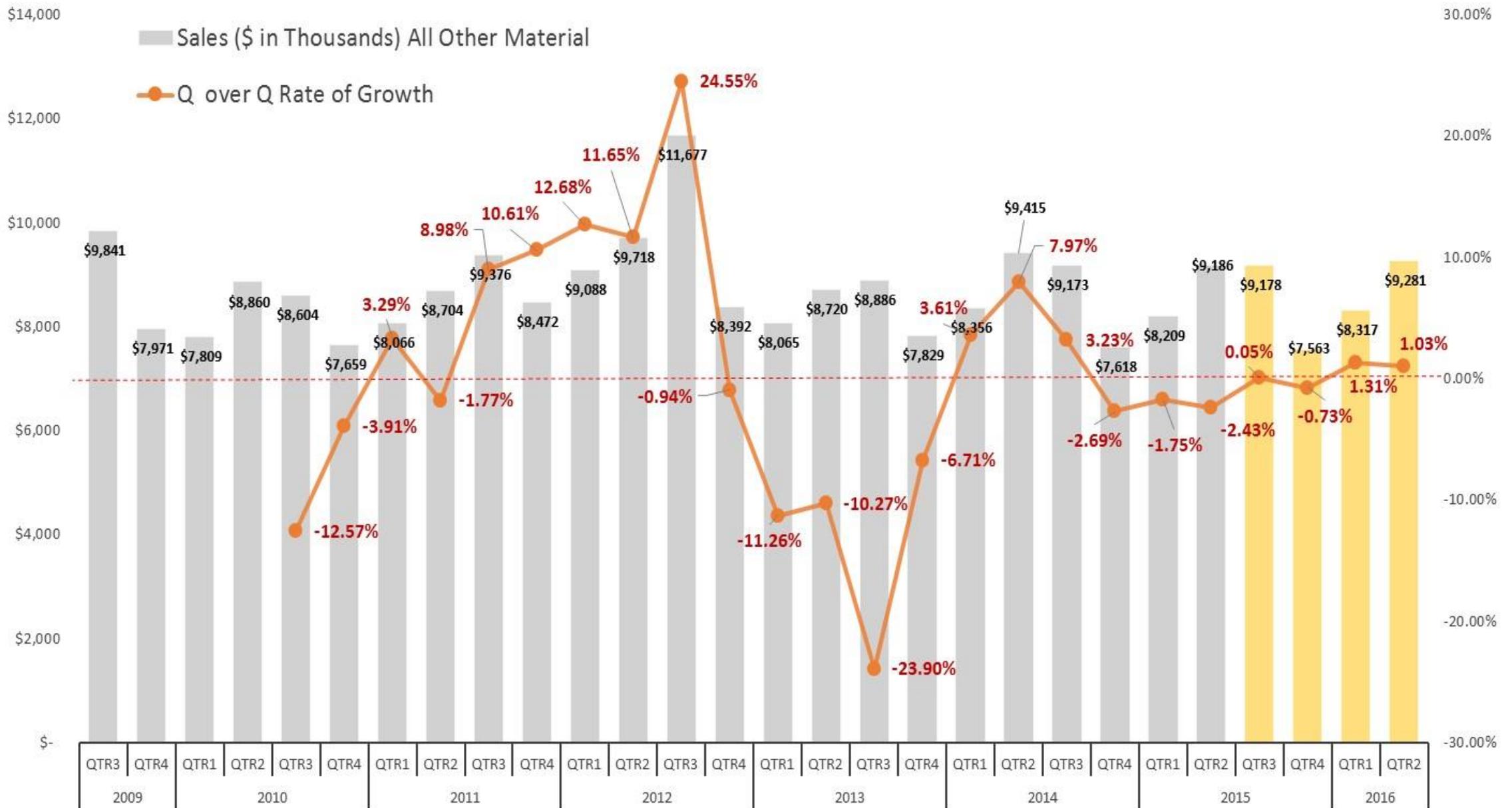


PET CRV-IN By Quarter







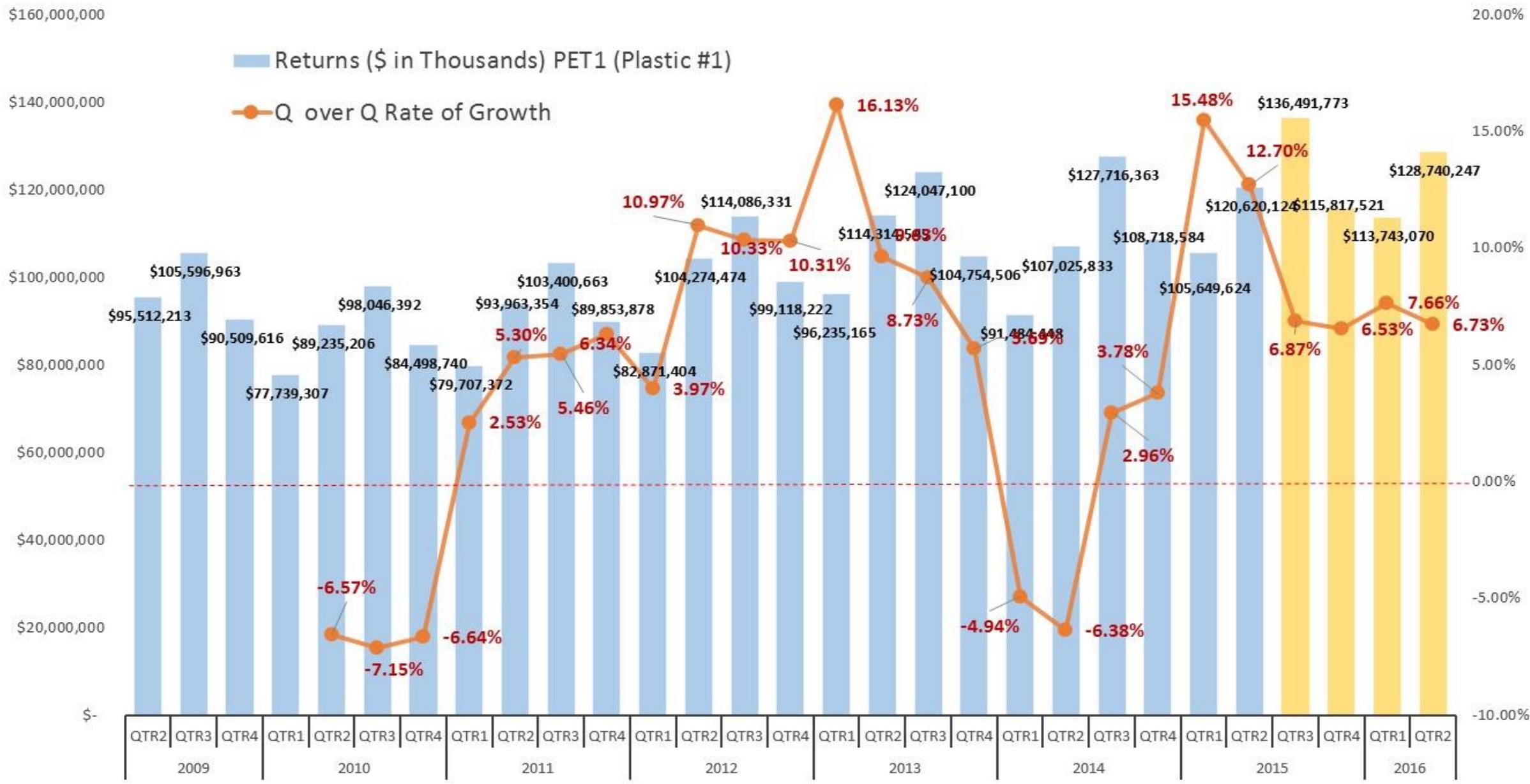


PROJECTED CRV-IN Percentage Growth (FY 2015-2016 Compared to FY 2014-2015)	1Q (Jul-Sept)	2Q (Oct-Dec)	3Q (Jan-March)	4Q (Apr-June)	Total
Aluminum	-1.72%	-1.58%	-0.54%	-1.47%	-1.36%
PET	2.20%	2.61%	3.40%	2.34%	2.61%
Glass	-0.96%	1.37%	1.68%	2.25%	1.07%
All Other	0.05%	-0.73%	1.31%	1.03%	0.44%
Total	0.36%	0.82%	1.75%	0.95%	0.94%

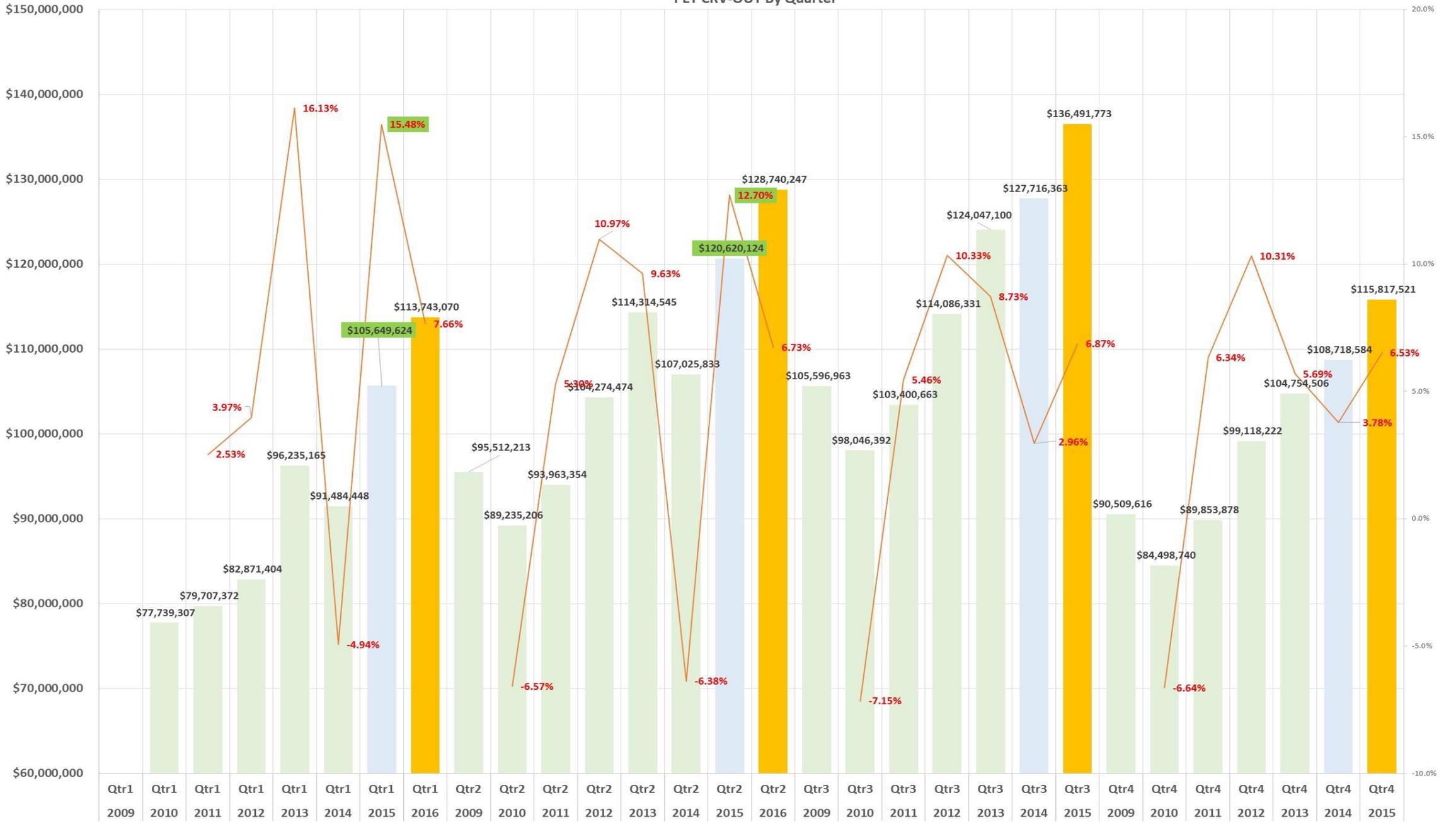
PROJECTED CRV- IN* (FY 2015-2016)	1Q (Jul-Sept)	2Q (Oct-Dec)	3Q (Jan-March)	4Q (Apr-June)	Total
Aluminum	\$116,272,847	\$105,613,452	\$95,308,332	\$113,881,942	\$431,076,573
PET	\$170,774,550	\$140,804,555	\$140,984,838	\$159,908,171	\$612,472,114
Glass	\$44,673,073	\$44,290,590	\$36,527,927	\$48,926,771	\$174,418,360
All Other	\$9,177,710	\$7,562,740	\$8,317,071	\$9,280,917	\$34,338,438
Total	\$340,898,180	\$298,271,336	\$281,138,168	\$331,997,800	\$1,252,305,485

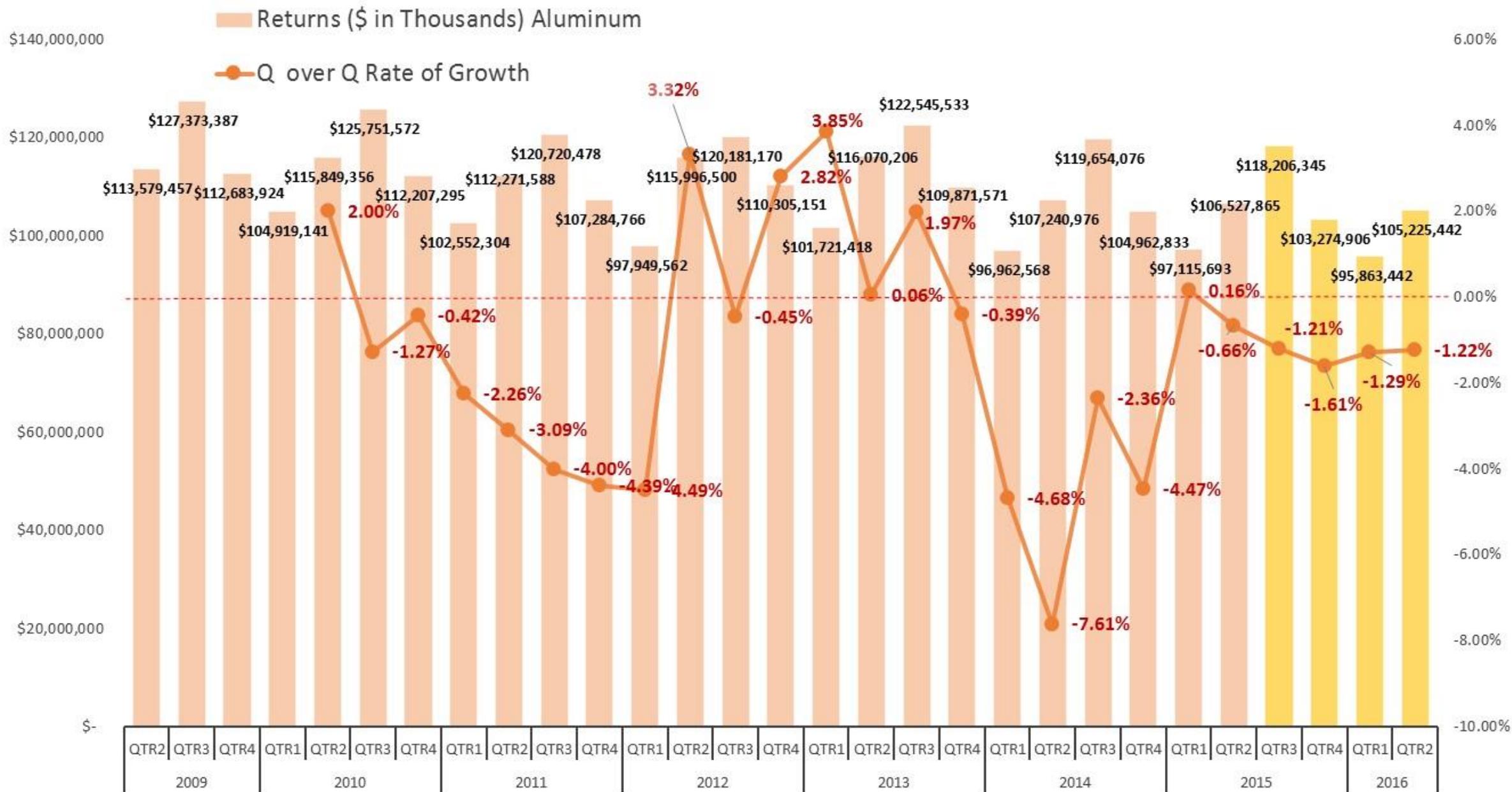
Projecting Returns (How do we do it?)

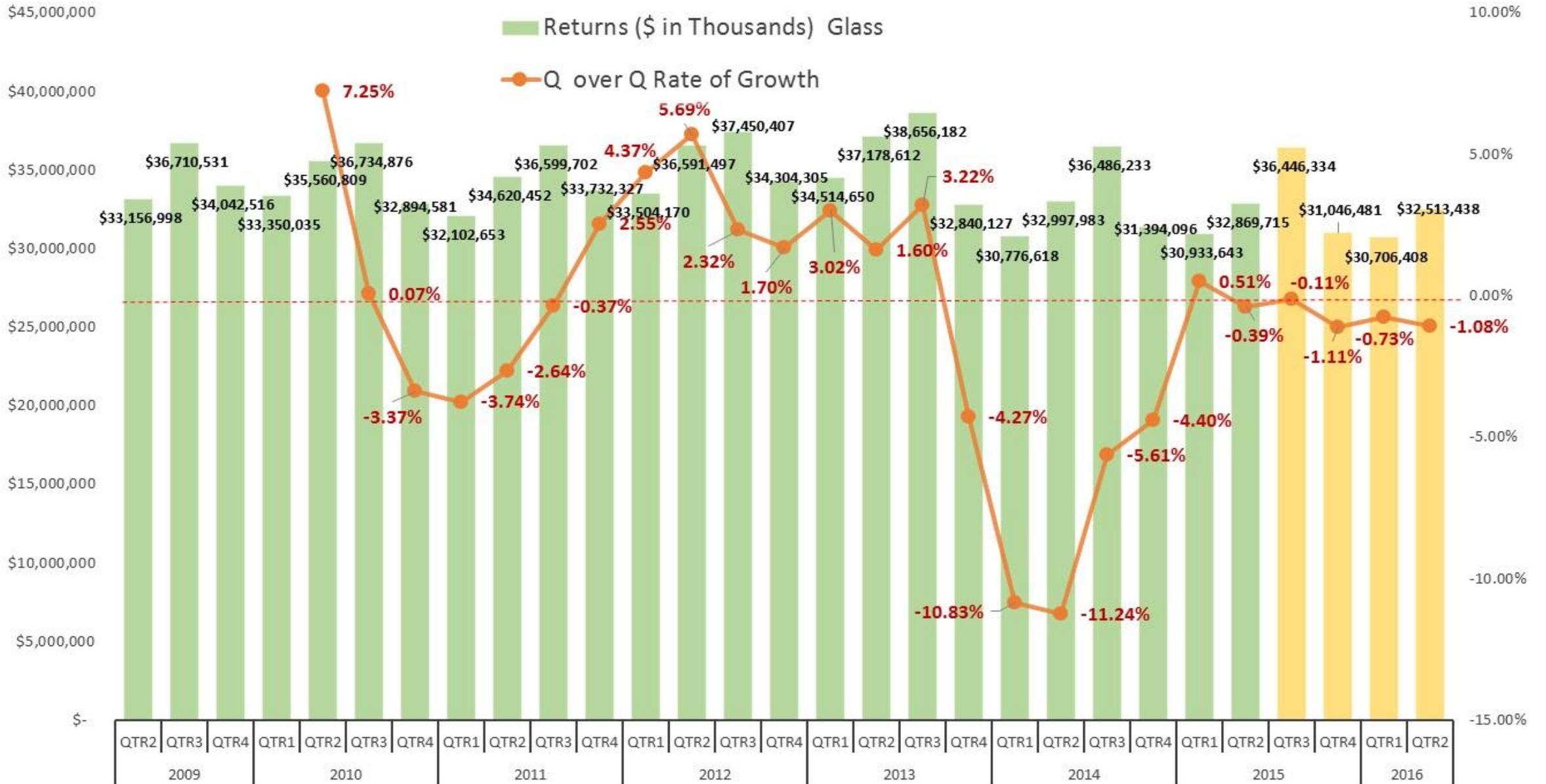
- Magic Box?
 - Adjust for Seasonality
 - By quarter (correct for timing of season..)
 - By Material type
 - Trends analysis (forecasting, statistical analysis)
 - Used Projected Sales (with an adjusted delay)
 - Other Factors
 - Scrap prices
 - Processors Inventory
 - Unemployment.. Economic growth.. Etc..
 - weather.... Drought! El Niño!
 - Follow up closely!!!!!! And adjust!
 - And ??????
 - The key reside in forecasting the RECYCLING RATE
 - Processing Payments based on many factors
 - Handling Fees based on convenience zones

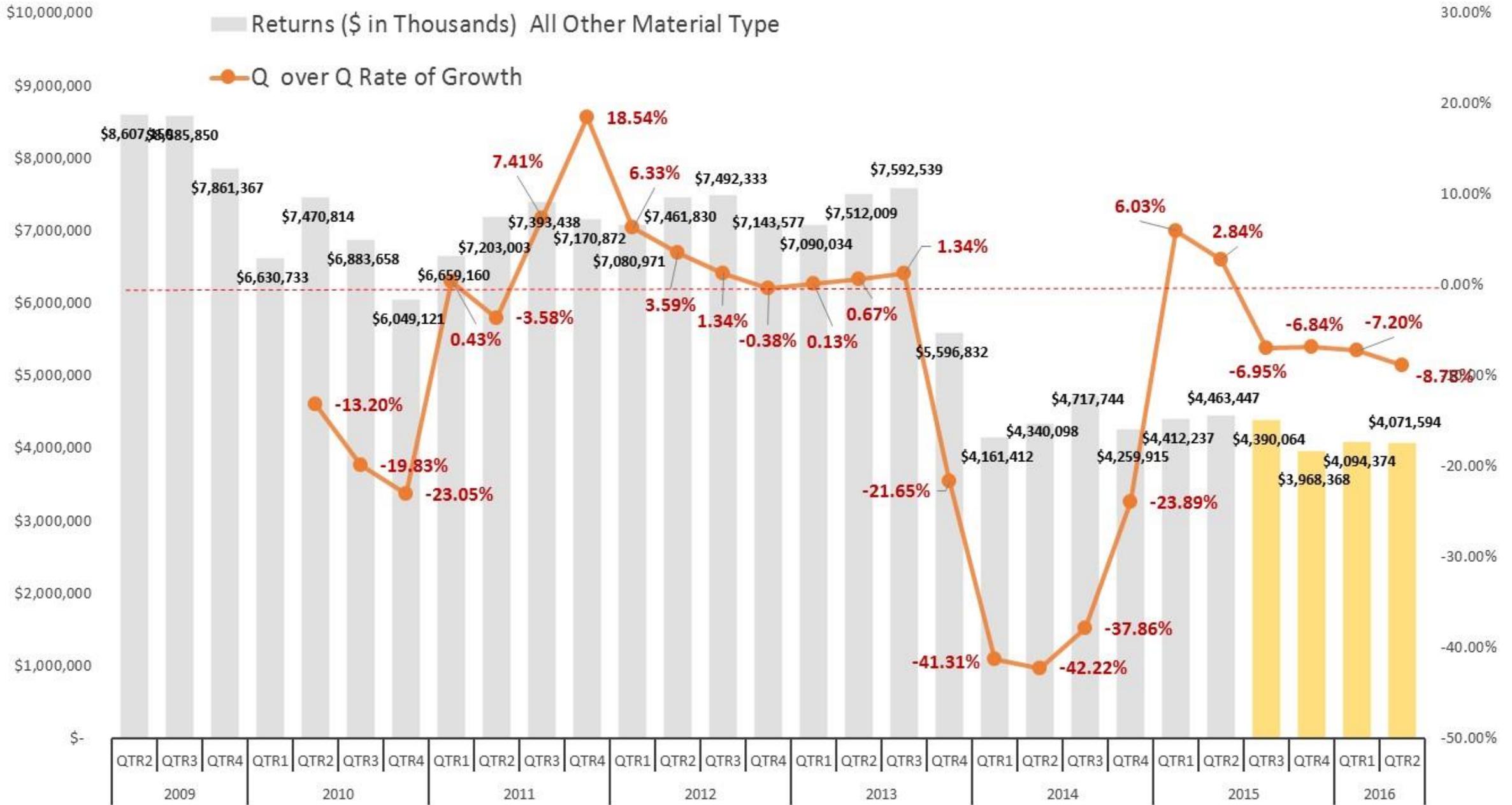


PET CRV-OUT By Quarter





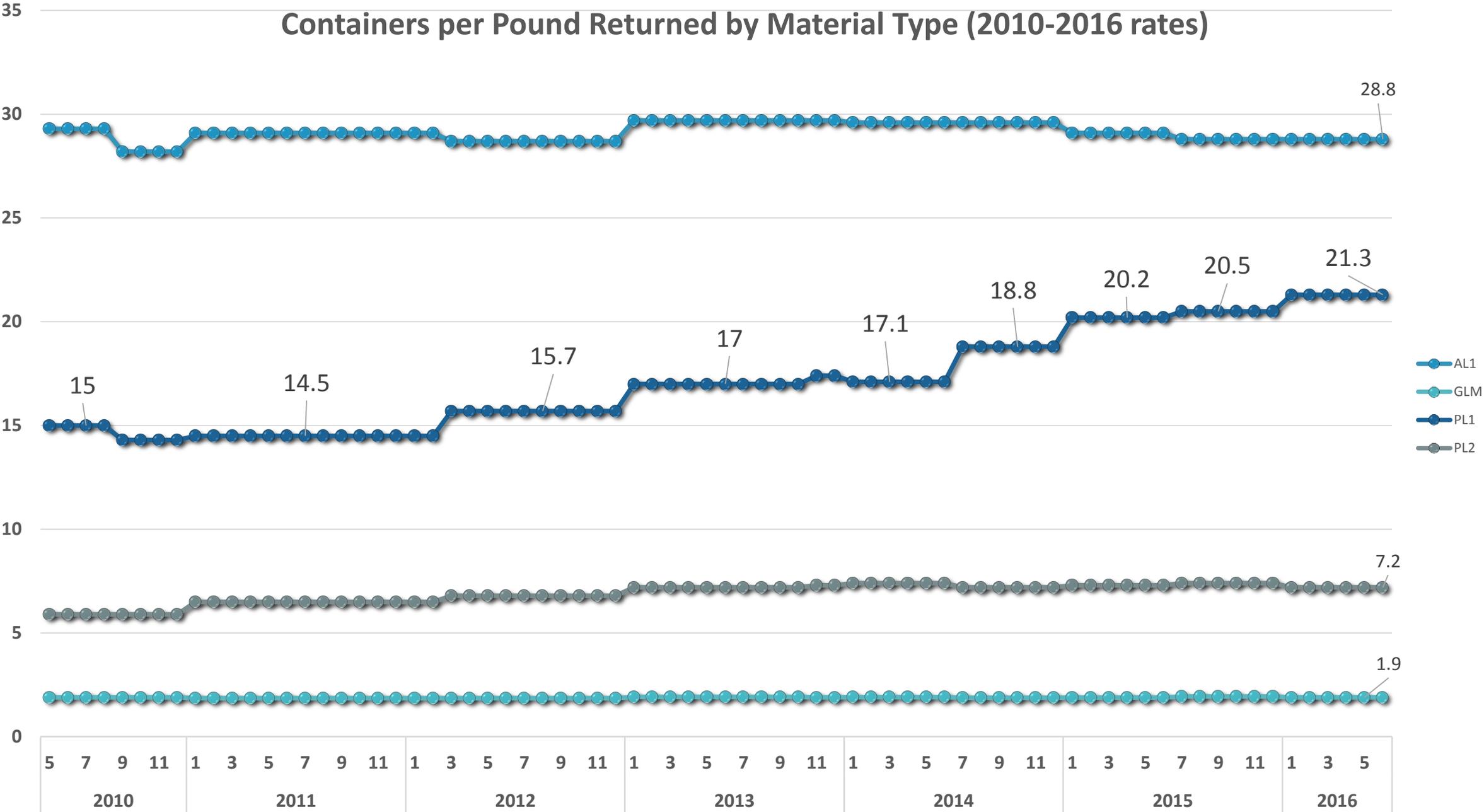




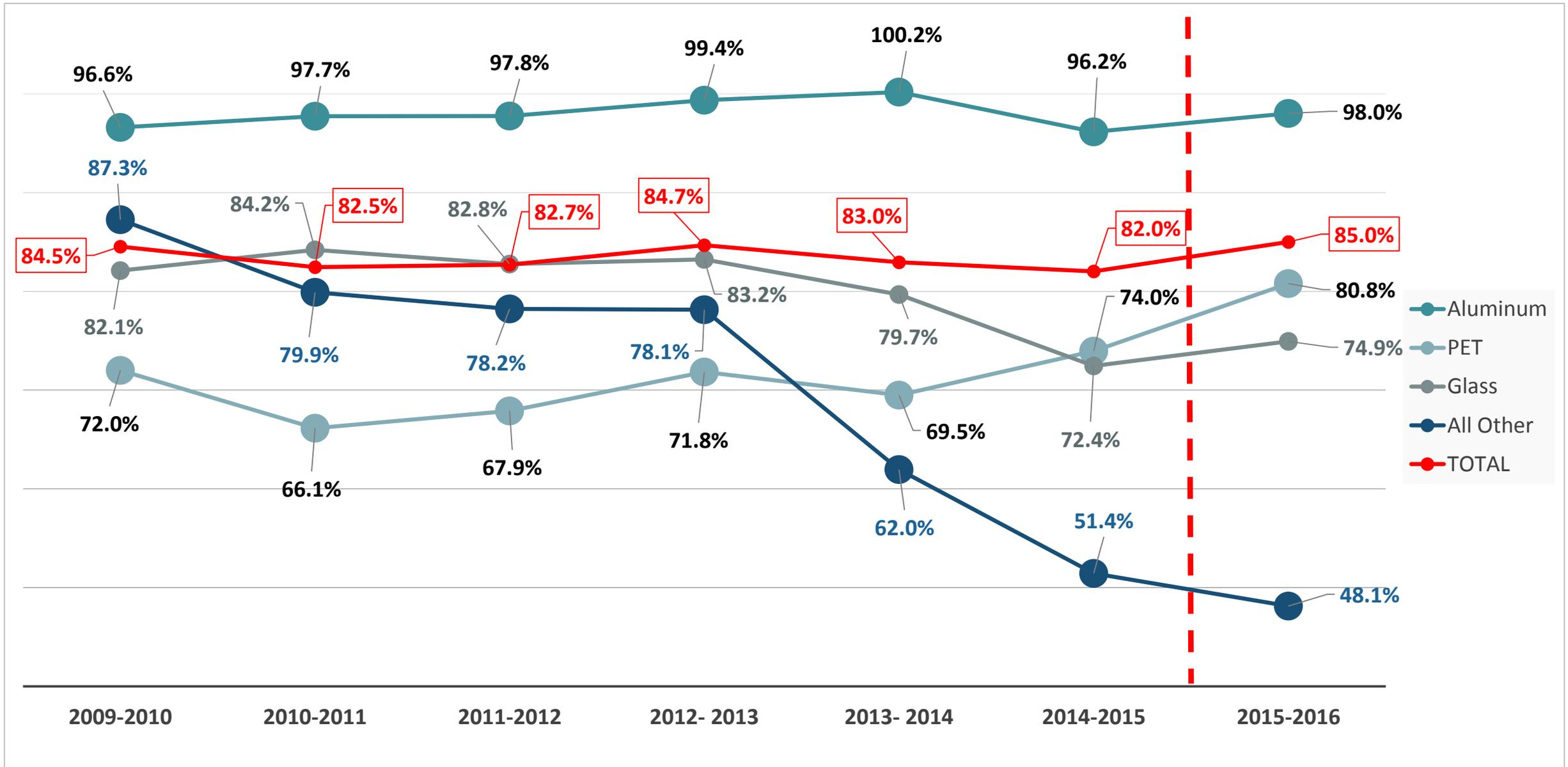
PROJECTED CRV-OUT Percentage Growth (FY 2015-2016)	1Q (Jul-Sept)	2Q (Oct-Dec)	3Q (Jan-March)	4Q (Apr-June)	Total
Aluminum	-1.21%	-1.61%	-1.29%	-1.22%	-1.33%
PET	6.87%	6.53%	7.66%	6.73%	6.93%
Glass	-0.11%	-1.11%	-0.73%	-1.08%	-0.74%
All Other	-6.95%	-6.84%	-7.20%	-8.78%	-7.44%
Total	2.41%	1.91%	2.64%	2.29%	2.32%

PROJECTED CRV- OUT (FY 2015-2016)	1Q (Jul-Sept)	2Q (Oct-Dec)	3Q (Jan-March)	4Q (Apr-June)	Total
Aluminum	\$118,206,345	\$103,274,906	\$95,863,442	\$105,225,442	\$422,570,134
PET	\$136,491,773	\$115,817,521	\$113,743,070	\$128,740,247	\$494,792,610
Glass	\$36,446,334	\$31,046,481	\$30,706,408	\$32,513,438	\$130,712,661
All Other	\$4,390,064	\$3,968,368	\$4,094,374	\$4,071,594	\$16,524,400
Total	\$295,534,515	\$254,107,275	\$244,407,294	\$270,550,721	\$1,064,599,805

Containers per Pound Returned by Material Type (2010-2016 rates)



Then? What is the projected recycling rate?

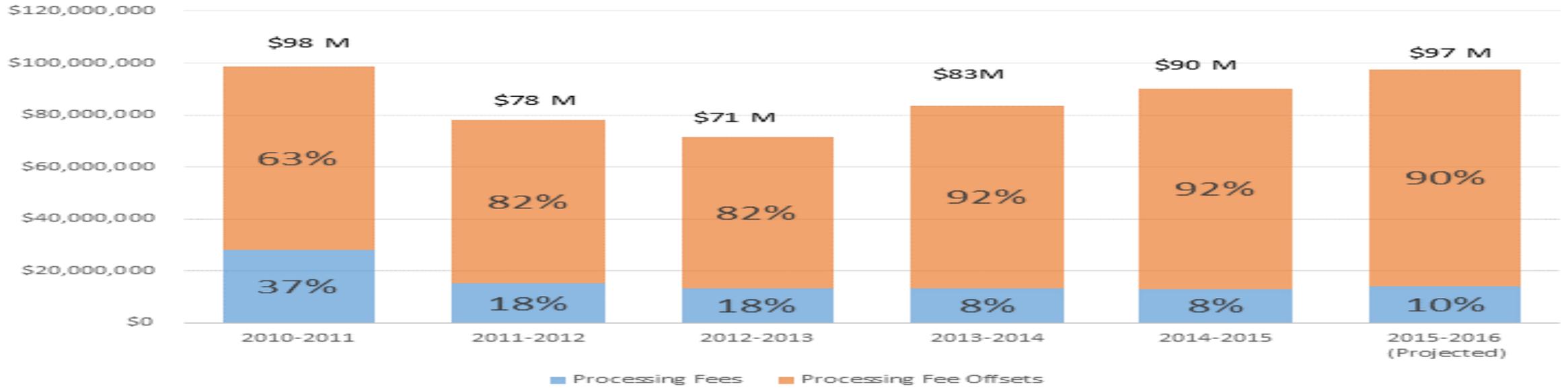


Processing Payments, Fees, Offsets.. How do we make projections?

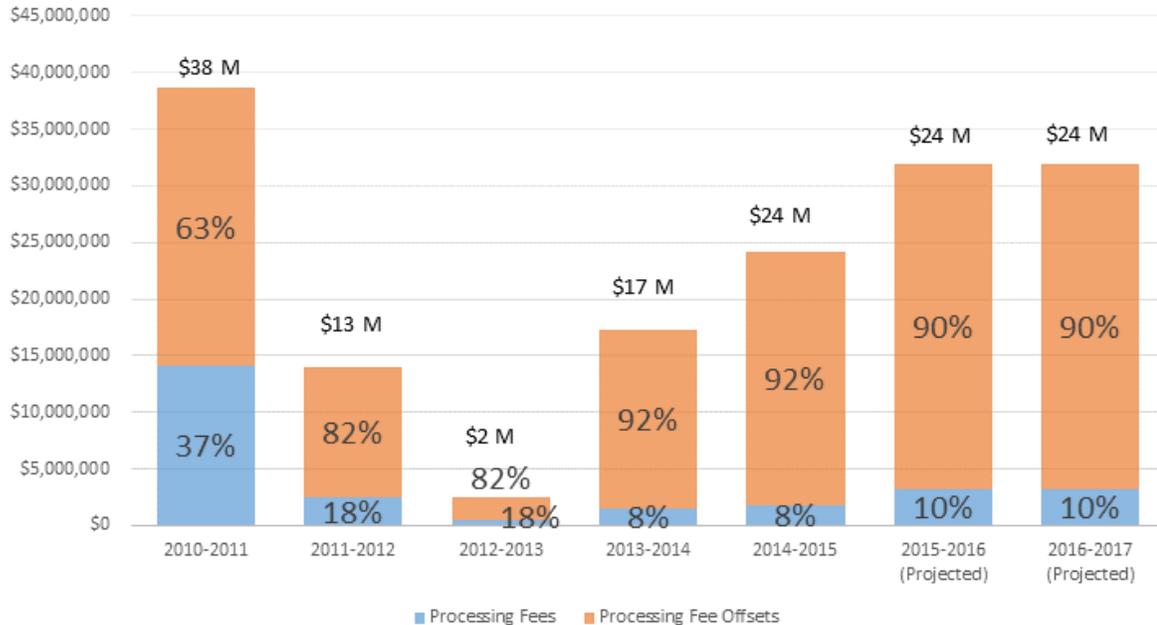
- Very complex
- Processing Payments
 - Recycling rates
 - Cost of Recycling (biannual study and adjusted for inflation)
 - Containers per pound
 - Projected Return units by material type
 - Cost of Living Adjustment
 - Reasonable Financial Return
 - Manufacturers Discount Rate
- Processing Fees
 - Projected Unit Sales by material type
 - Recycling Rate > 75%: processing fee is 11% of processing payment

						FY 2015-2016
PET (Plastic #1)	FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	(Projected)
Processing Fees	\$14,141,670	\$2,464,362	\$452,216	\$1,438,508	\$1,847,831	\$3,200,171
Processing Payments	\$38,644,854	\$13,958,358	\$2,457,953	\$17,311,209	\$24,224,022	\$32,001,708
Processing Fee Offsets	(\$24,503,185)	(\$11,493,996)	(\$2,005,736)	(\$15,872,701)	(\$22,376,191)	(\$28,801,537)
Glass						
Processing Fees	\$6,492,005	\$6,878,843	\$7,431,230	\$6,914,537	\$6,393,439	\$6,378,660
Processing Payments	\$52,344,515	\$56,695,814	\$61,040,687	\$60,032,455	\$61,097,447	\$60,956,219
Processing Fee Offsets	(\$45,852,510)	(\$49,816,971)	(\$53,609,458)	(\$53,117,918)	(\$54,704,009)	(\$54,577,559)
All Other Material						
Processing Fees	\$7,537,237	\$5,841,500	\$5,385,362	\$5,177,197	\$4,912,797	\$4,547,284
Processing Payments	\$7,601,794	\$7,405,872	\$7,976,457	\$6,122,824	\$4,924,286	\$4,557,919
Processing Fee Offsets	(\$64,557)	(\$1,564,372)	(\$2,591,095)	(\$945,627)	(\$11,489)	(\$10,634)
Total						
Processing Fees	\$28,170,912	\$15,184,705	\$13,268,808	\$13,530,242	\$13,154,067	\$14,126,115
Processing Payments	\$98,591,164	\$78,060,044	\$71,475,098	\$83,466,488	\$90,245,755	\$97,515,845
Processing Fee Offsets	(\$70,420,252)	(\$62,875,339)	(\$58,206,290)	(\$69,936,246)	(\$77,091,689)	(\$83,389,729)

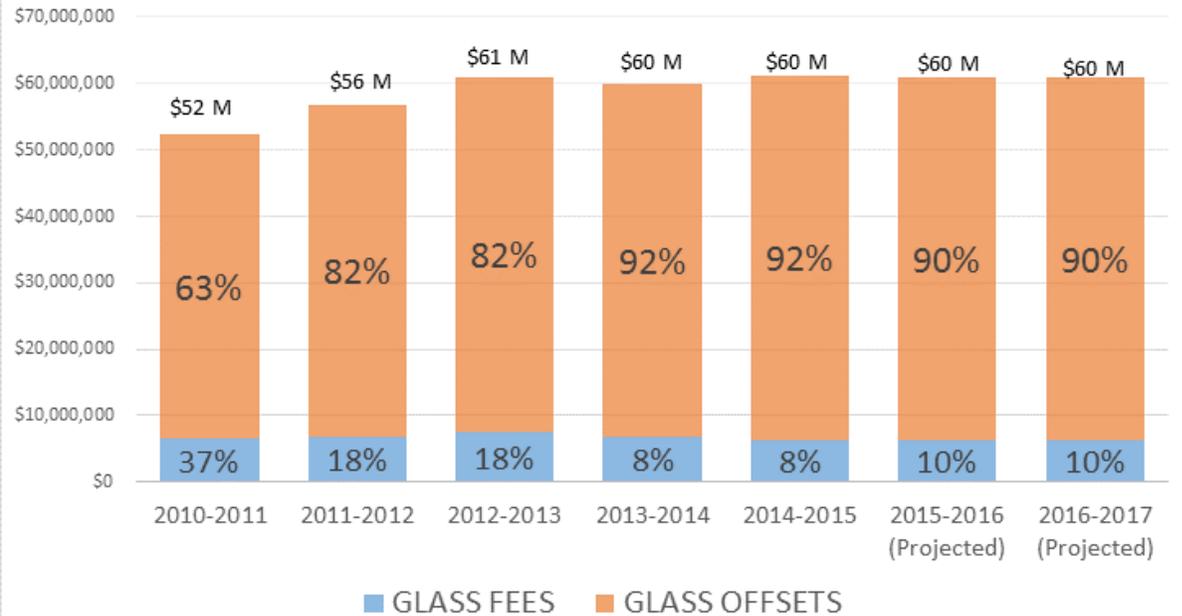
TOTAL PROCESSING PAYMENTS



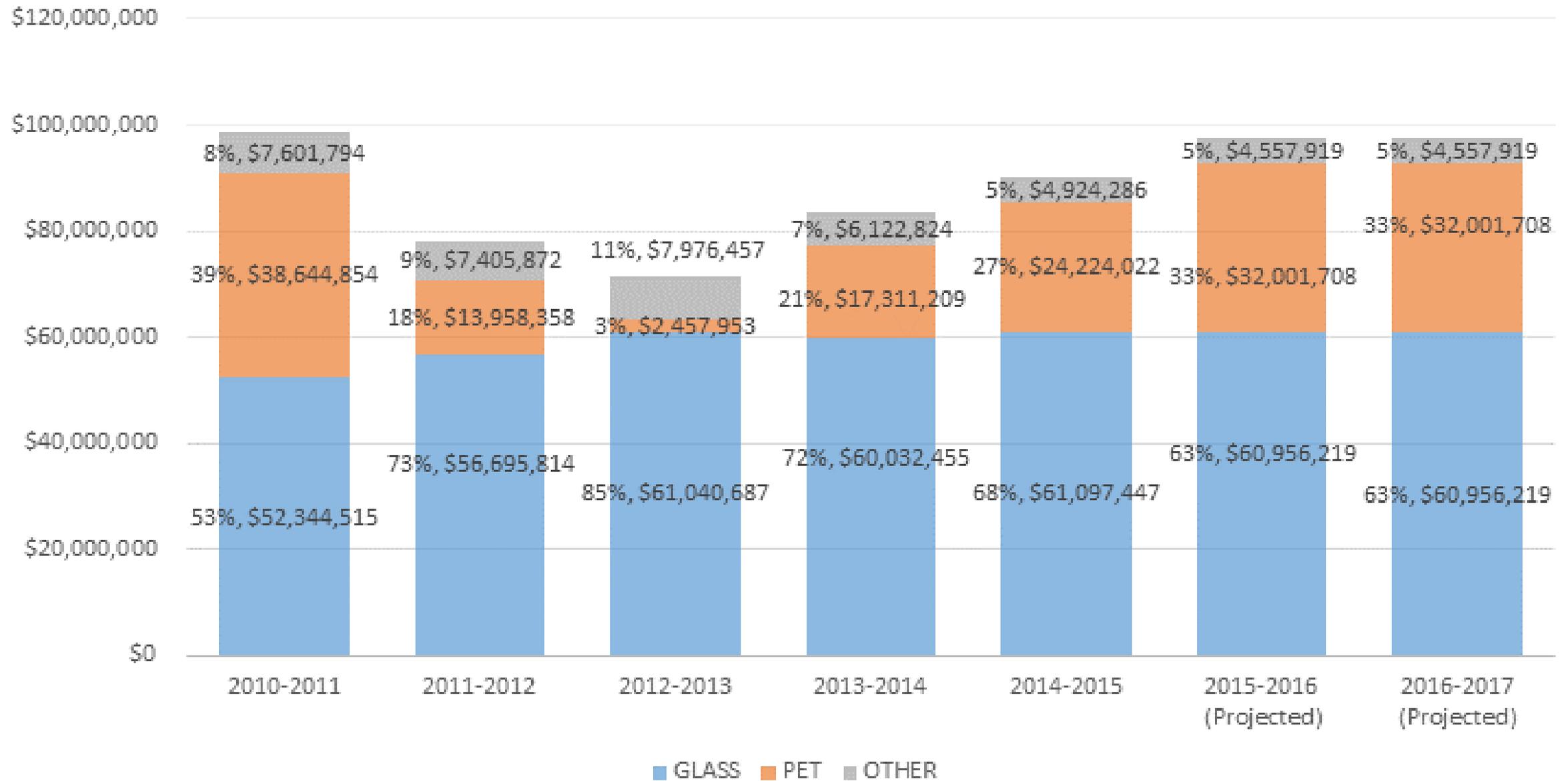
PET PROCESSING PAYMENTS



GLASS PROCESSING PAYMENTS



TOTAL PROCESSING PAYMENTS BY MATERIAL TYPE



Handling Fees. How do we do it?

- Projected units returned in convenient zones
- Handling Fee rate \$0.01046 per container based on latest cost survey.

	FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016 (Projected)
Handling Fees	\$38,836,181	\$37,914,106	\$40,911,323	\$41,883,185	\$50,782,194	\$52,510,512
Per Beverage Container Handling Fee Amount	\$0.00859	\$0.00890	\$0.0089-\$0.0090	\$0.00900	\$0.01035	\$0.01046
Containers Eligible for Handling Fee Payment	4,521,092,086	4,260,011,963	4,596,777,857	4,653,687,223	4,906,492,146	5,073,479,451

Projections Long Term (FY 2016-17 and beyond)

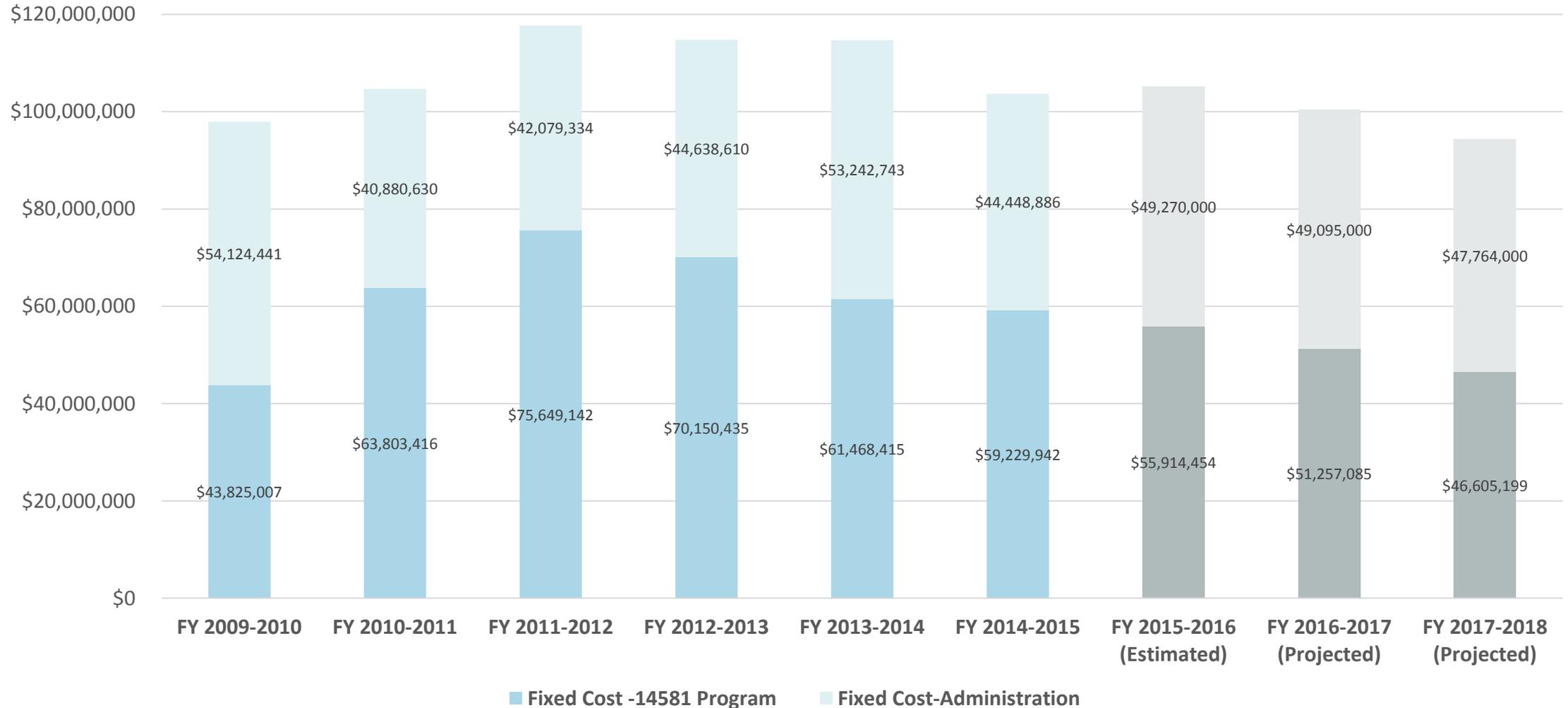
- Assumptions for long term projections
 - No changes in CRV-IN and CRV-OUT relative rates of growth
 - No changes in composition of material types sold and returned
 - Handling fees remain at 1.046 cents per container
 - Processing Payments at the same level as FY 2015-2016
 - CRV-IN and CRV-OUT the same as FY 2015-16
 - Program Admin cost same as FY 2015-156
 - Other costs based on current appropriations and sunset dates specified in PRC sections 14581 and 14581.1
 - No proportional reduction.
 - Weather is similar to FY 2015-2016.
- Long term forecasting is less reliable

Budget Expenditures

Other Fund Expenditures	FY 2014-2015 (Actual)	FY 2015-2016 (Estimated)	FY 2016-2017 (Projected)	FY 2017-2018 (Projected)
Fixed Cost -14581 Program	\$59,229,943	\$55,914,454	\$51,257,085	\$46,605,199
<i>Beverage Container Recycling Grants</i>	\$1,347,593	\$1,500,000	\$1,500,000	\$1,500,000
<i>City/County Payments</i>	\$10,500,000	\$10,500,000	\$10,500,000	\$10,500,000
<i>Curbside Supplemental Payments</i>	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
<i>Local Conservation Corps Grants</i>	\$13,526,396	\$6,414,454	\$6,757,085	\$7,105,199
<i>Plastic Market Development</i>	\$9,999,723	\$10,000,000	\$5,000,000	\$0
<i>Public Information and Education</i>	\$0	\$2,500,000	\$2,500,000	\$2,500,000
<i>Quality Incentive Payment</i>	\$8,856,231	\$10,000,000	\$10,000,000	\$10,000,000
Fixed Cost-Administration	\$44,448,886	\$49,270,000	\$49,095,000	\$47,764,000
<i>Fiscal</i>	\$85,000	\$84,000		
<i>Pro Rata</i>	\$0			
<i>State Operations SB 96</i>	\$609,432	\$1,739,000	\$774,000	
<i>Program Administration</i>	\$42,739,454	\$47,447,000	\$48,321,000	\$47,764,000
<i>State Controller Expenses</i>	\$1,015,000			
TOTAL	\$103,678,829	\$105,184,454	\$100,352,085	\$94,369,199

Budget Expenditures Trends

Other Fund Expenditures Trends and Projections



Accuracy of Projections?

- So far.. within a 3% margin of error.
- Adjusting in next quarterly report:
 - El Niño
 - Processing Payments
 - Actual returns for first 5 months of FY 2015-2016
 - Actual sales for first 4 months of FY 2015-2016

Significant Changes – Explanation

PRC §14556(a)(3)

- Increase in rate of growth of sales (PET)
- Decrease in rate of growth of returns
- Impact of program reform measures
- Fraud prevention and enforcement
- Efforts to reduce costs (limited ability to reduce expenditures)
- Proportional reduction- not before FY 2017-18
- Uncertainties and limitations of projections
 - Fraud prevention measures
 - Economic conditions
 - Scrap prices
 - Processing payments
 - China exports
 - Weather/Drought/Temperature, El Niño



Structural Deficit

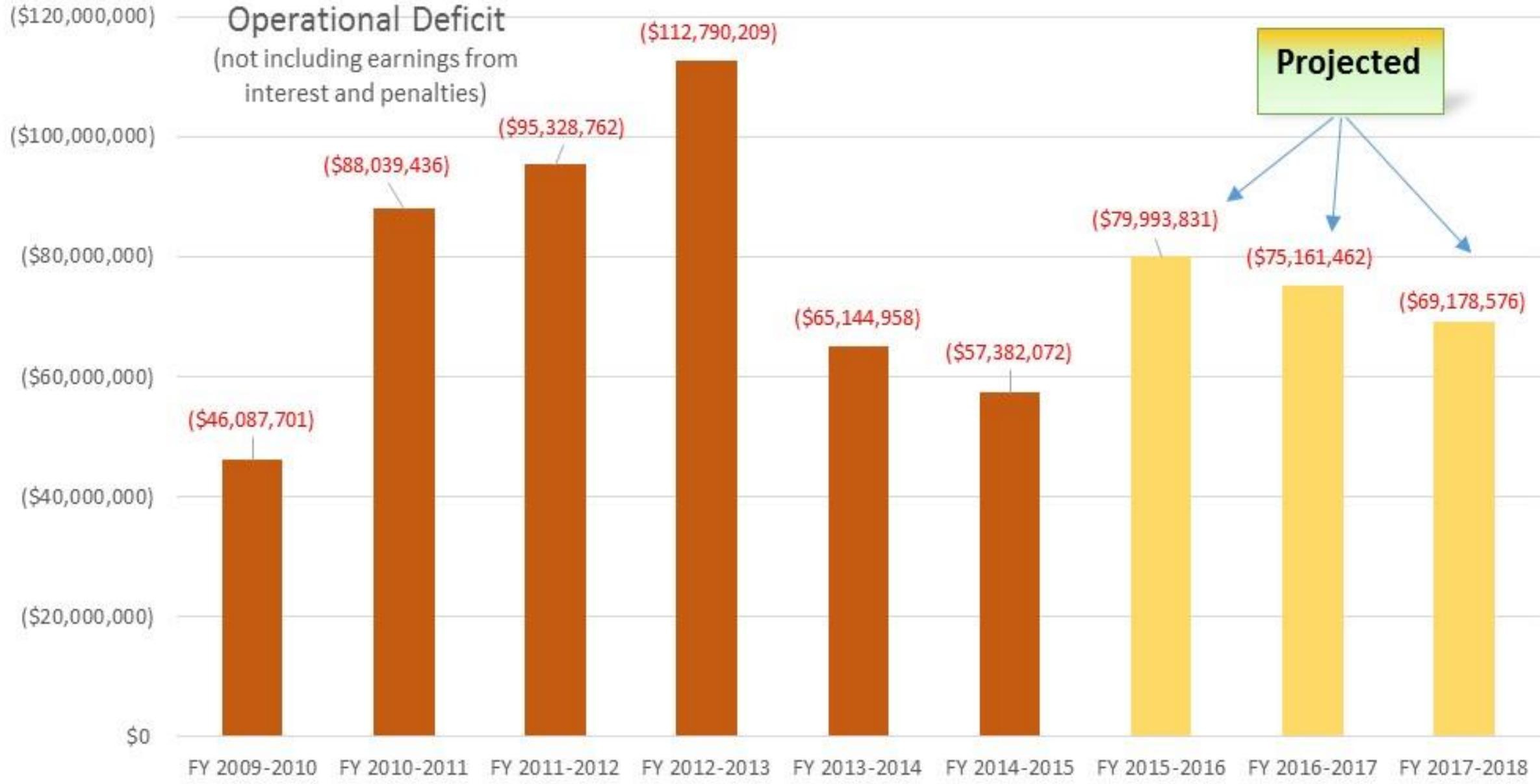
When? And then what?

February 11, 2016

Structural Deficit

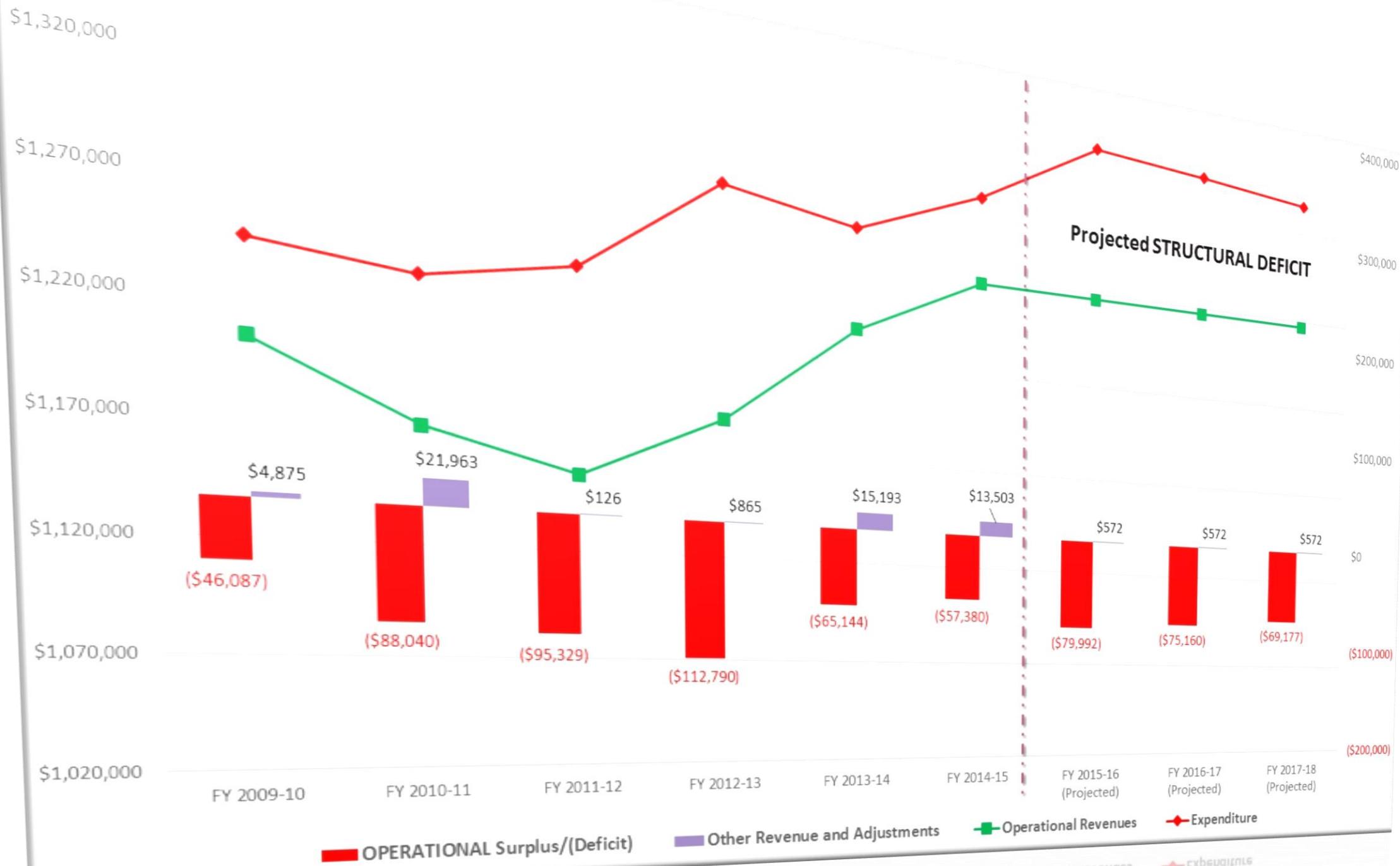
- Deficit.
- Fund Balance.
- Cash Flow.
- Proportional Reduction

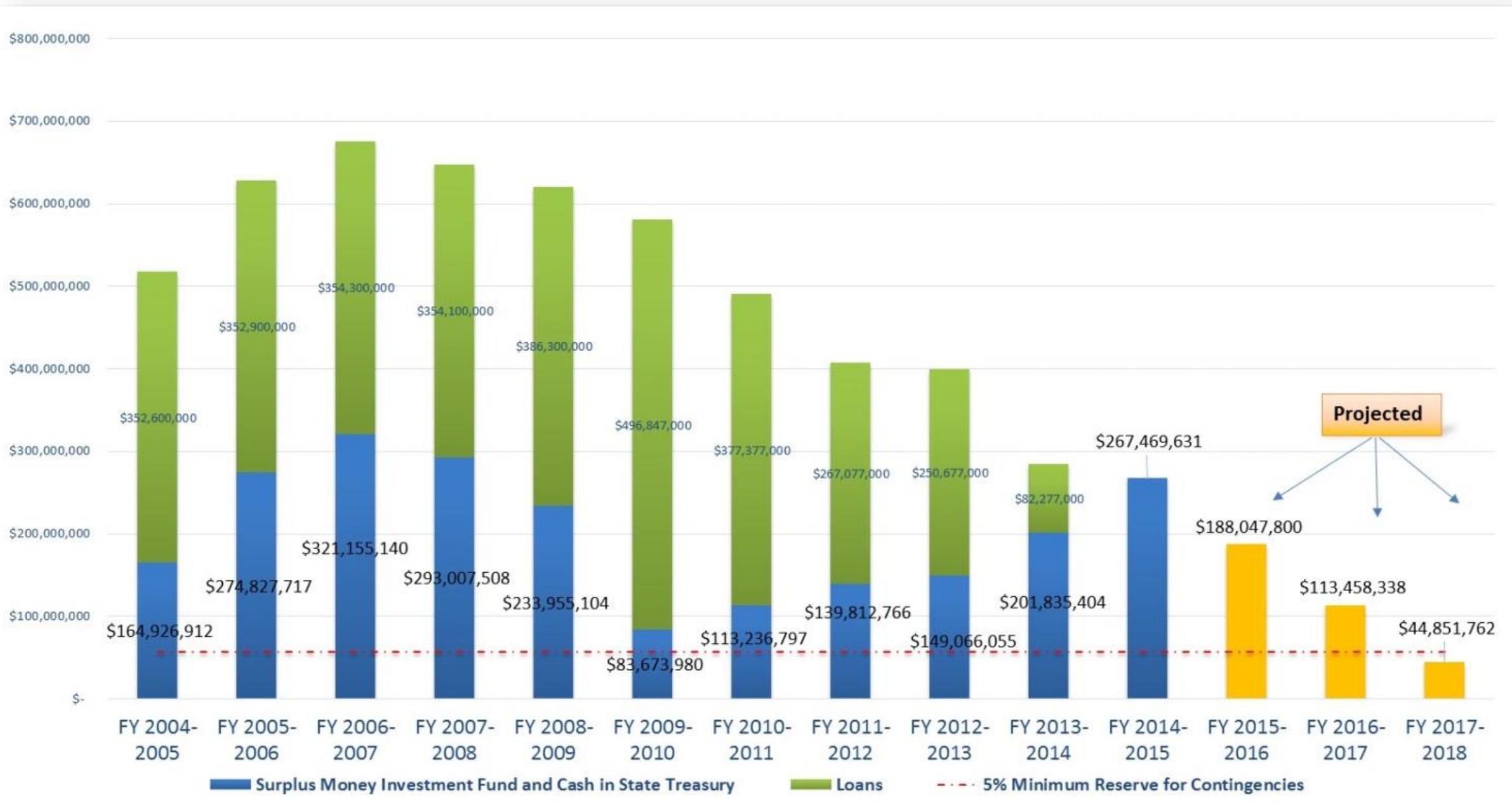
Operational Deficit (not including earnings from interest and penalties)



Structural Deficit versus Cyclical Deficit

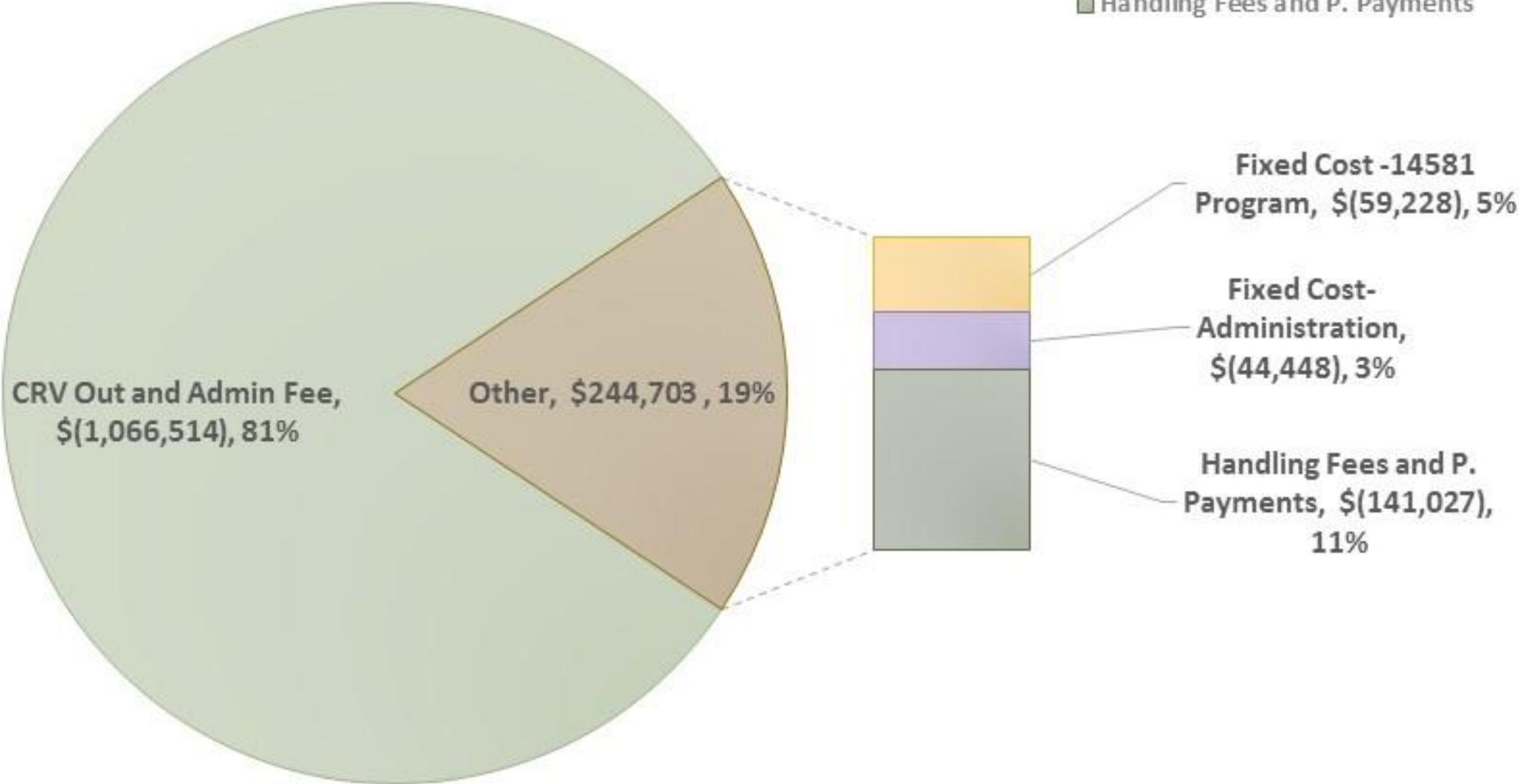
A cyclical, or temporary, deficit is a deficit that is related to the economic cycles. This cycle can last from several months to many years. A structural deficit, or permanent deficit, differs from a cyclical deficit in that it exists regardless of the point of the economic cycle due to an underlying imbalance of program revenues and expenditures.



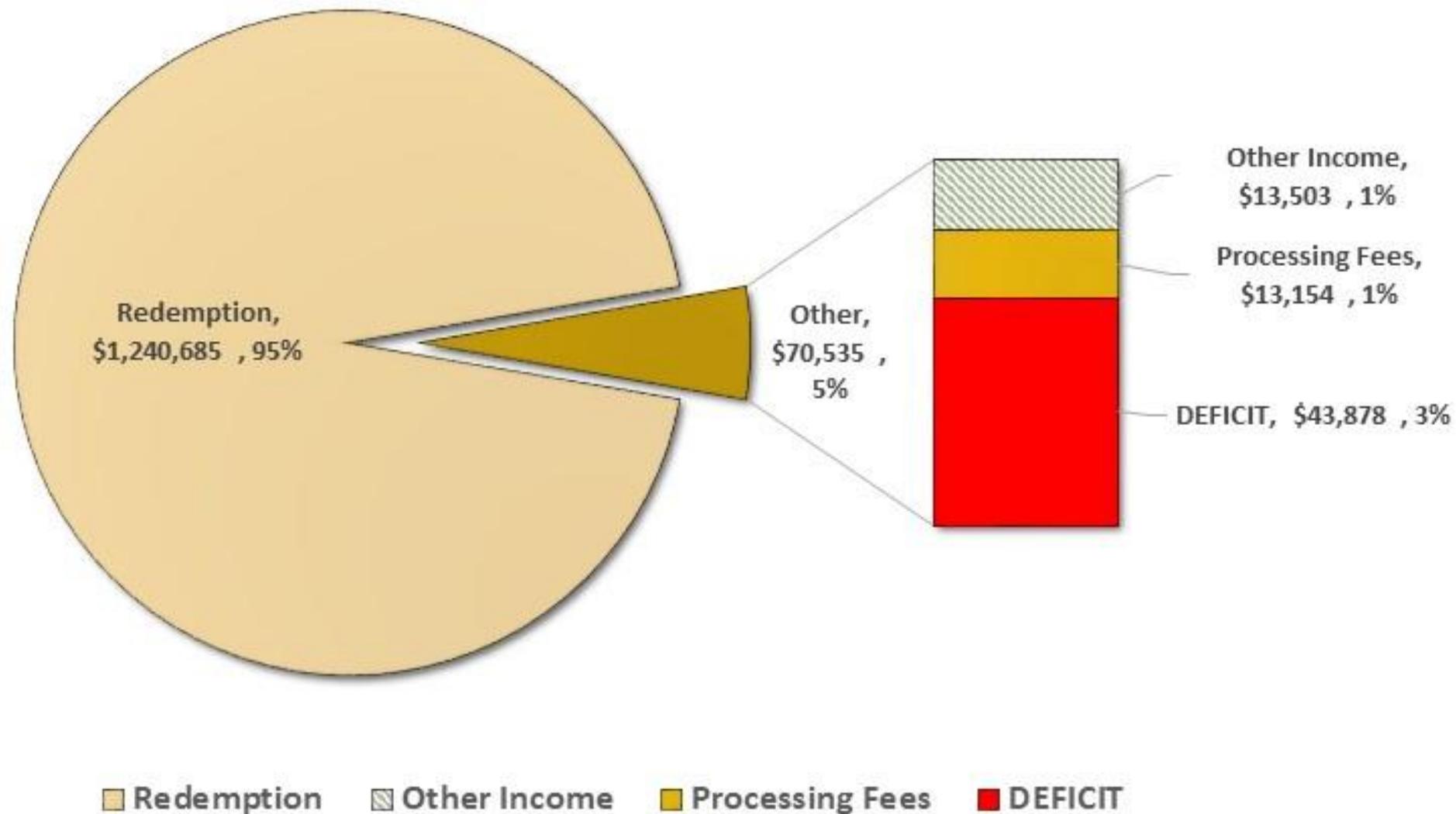


2014-15 Expenditures

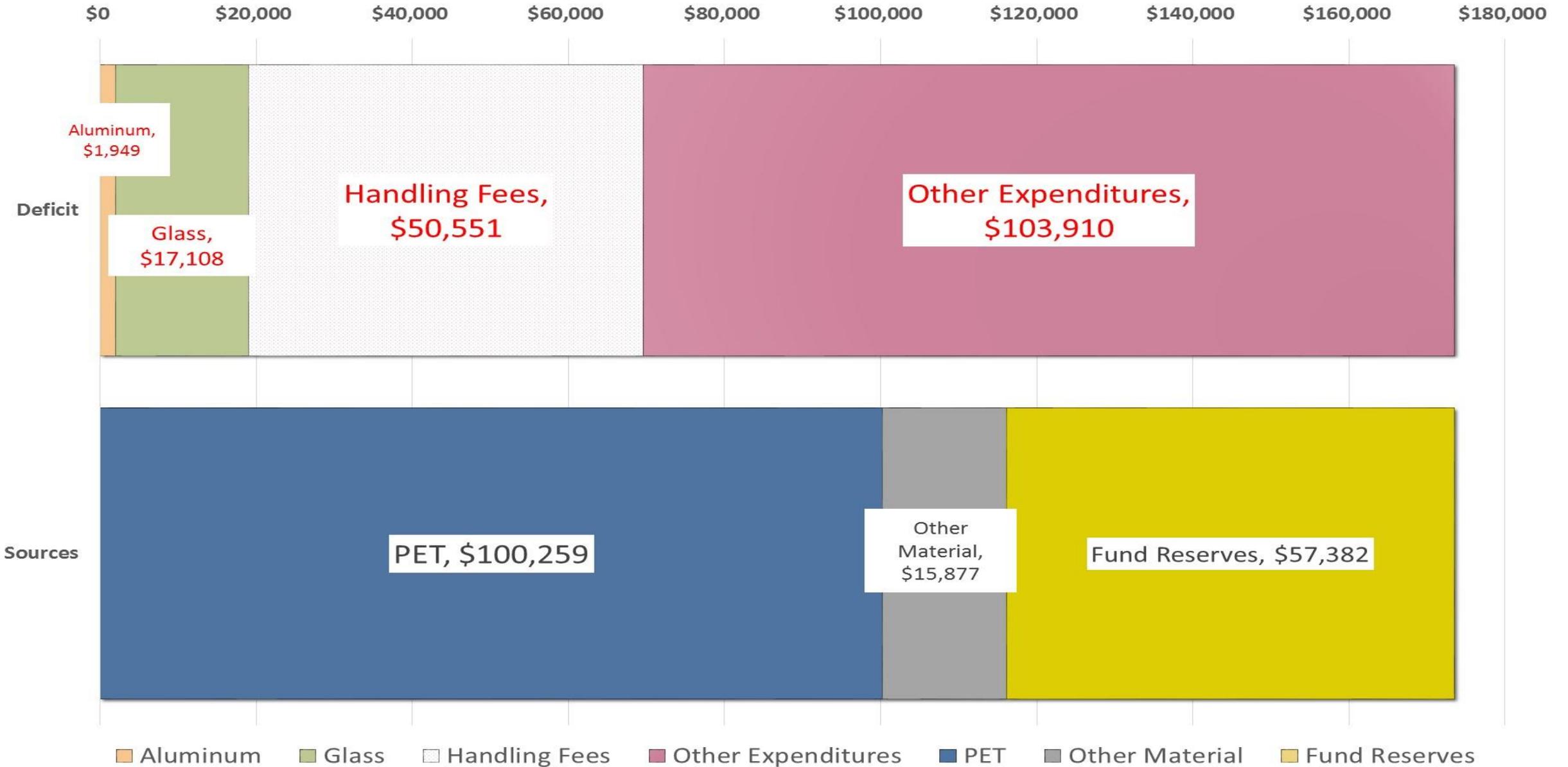
- CRV Out and Admin Fee
- Fixed Cost -14581 Program
- Fixed Cost-Administration
- Handling Fees and P. Payments



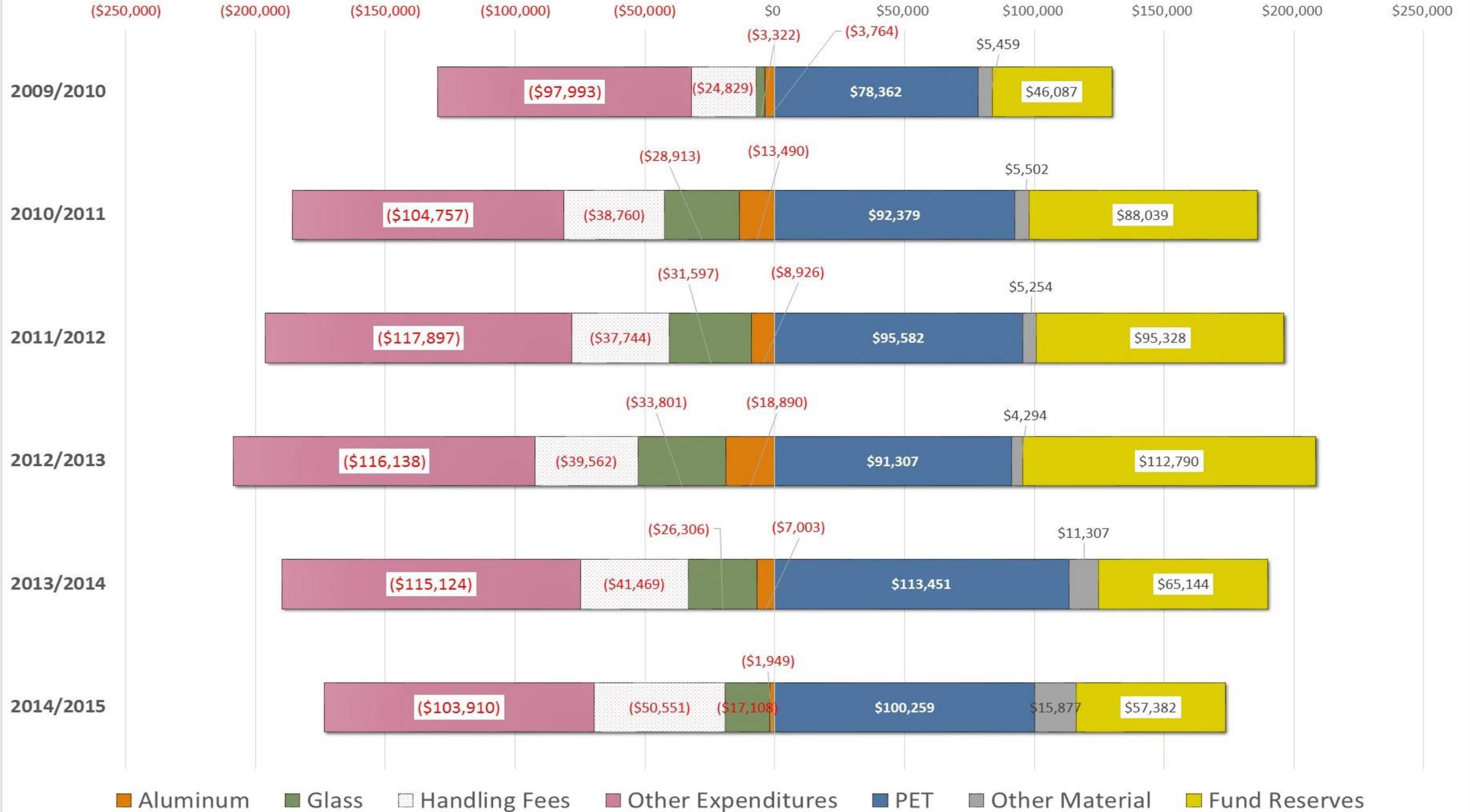
Revenues and Deficit FY 2014-15



How is the Deficit Paid by Material Type in FY 2014-15? (\$000)



How is the Deficit Paid by Material Type? (\$000)



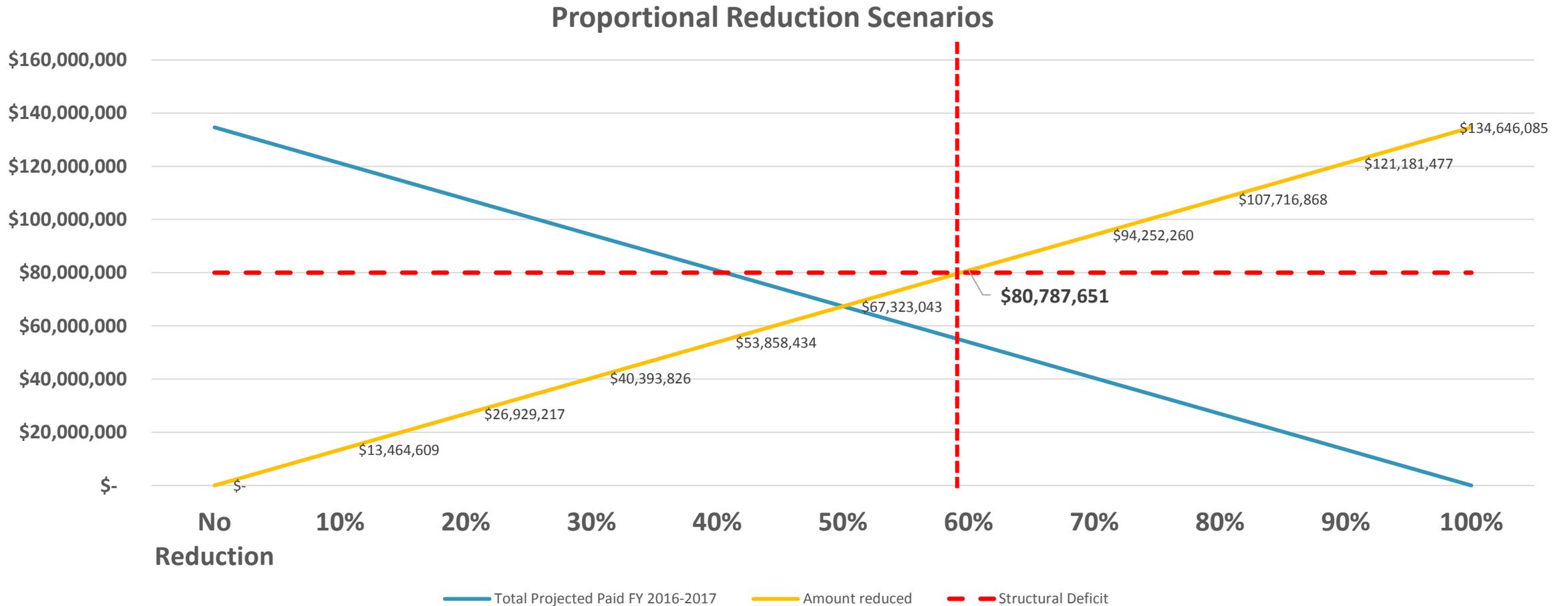
Proportional Reduction (what is it? And what happens?)

- Section 14581 (c): *If the department determines that there are insufficient funds to make the payments specified pursuant to this section and Section 14575, the department shall reduce all payments proportionally.*
- *What does insufficient funds mean?*
- *When? (not if).*
- *What options?*

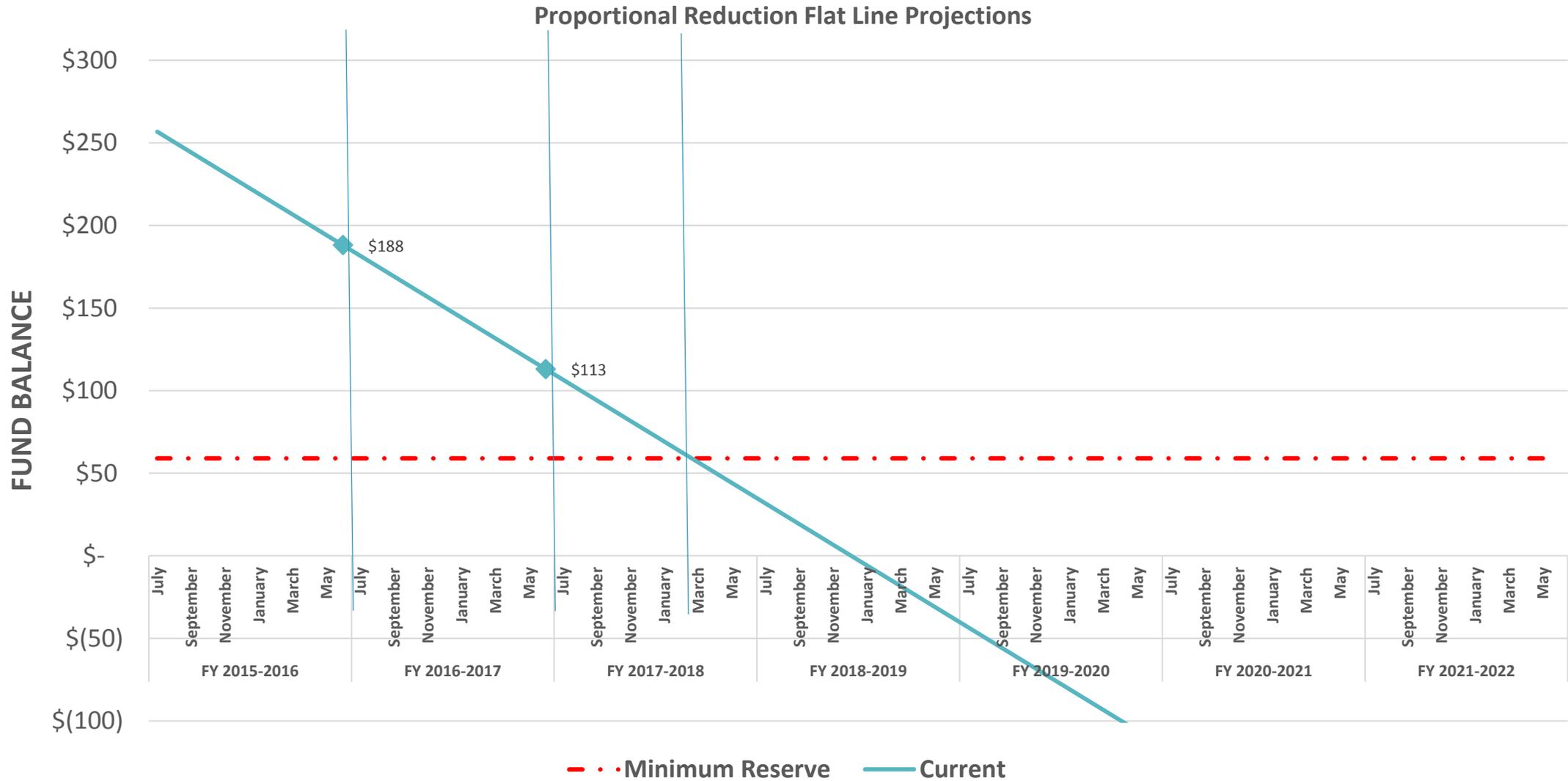
What gets reduced?

Proportional Reduction Expenditures	No Reduction	
Beverage Container Recycling Grants	\$	1,500,000
City/County Payments	\$	10,500,000
Curbside Supplemental Payments	\$	15,000,000
Local Conservation Corps Grants	\$	6,757,085
Plastic Market Development	\$	5,000,000
Public Information and Education	\$	2,500,000
Quality Incentive Payment	\$	10,000,000
Processing Payments OFFSET	\$	83,389,000
Handling Fees	\$	52,510,512
Total Projected Paid FY 2016-2017	\$	134,646,085

By how much would it be necessary to reduce payments to maintain solvency?

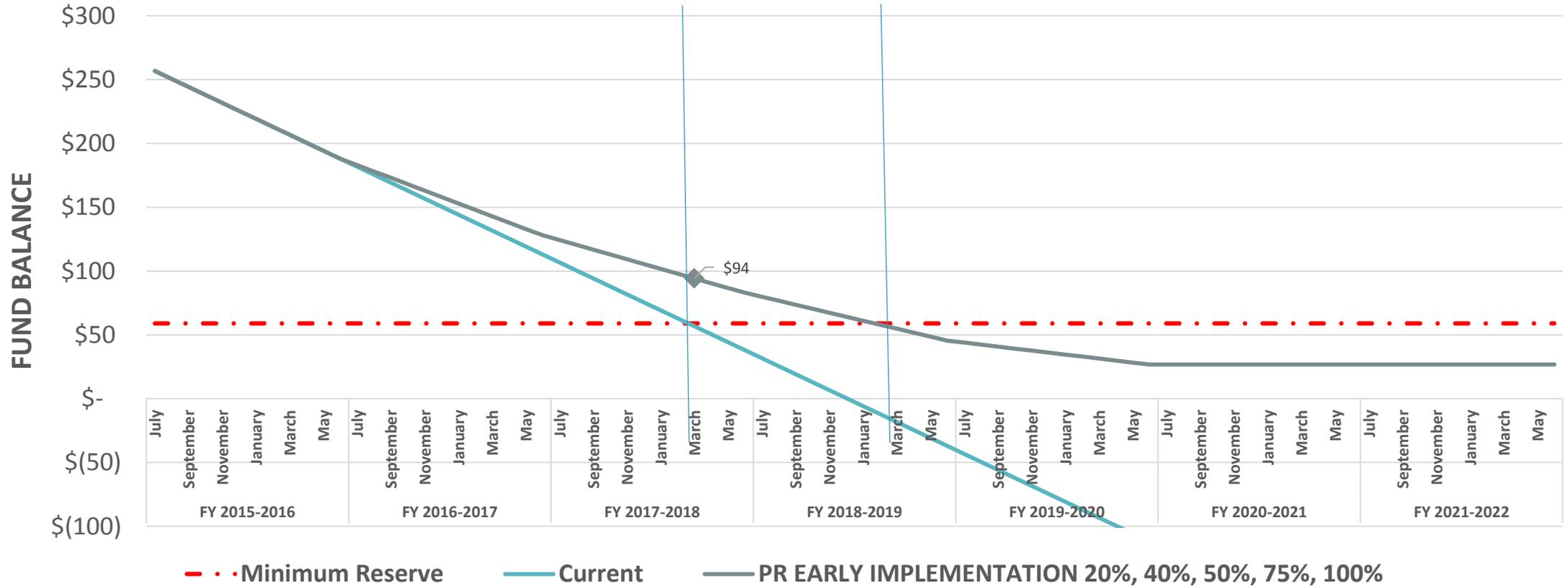


When?



What If?

Proportional Reduction Flat Line Projections. Early Proportional Reduction Implementation



Contact Us?

Mike Miller

Branch Chief

Beverage Container Recycling

CalRecycle, -California Environmental Protection Agency

Mike.Miller@CalRecycle.ca.gov

(916) 323-0713

Rafael Maestu

Economist

Beverage Container Recycling

CalRecycle, -California Environmental Protection Agency

Rafael.Maestu@calrecycle.ca.gov

(916) 322-0177

Questions?