

---

# CARE Sustainable Funding Oversight Committee

---

Q2 2013 AB 2398 Summary &  
Recommendations for Approval

*Updated 9/26/13*



# CARE's Executive Director's Message

CARE wishes to thank all those who continue to invest time and energy in helping to make AB 2398 a successful program. As a result of stakeholder feedback the Plan, has seen numerous modifications which will be incorporated into the revised Plan to be submitted end of October 2013.

We have listened carefully and have undertaken complex “what-if” scenario analyses to look at the impact of subsidy funding through these new instruments. At the same time we want to share that we find this a very challenging task. We have continued to learn, share, modify and tighten our procedures. We continue to evolve our reporting and graphical displays in an effort to better communicate in a clear and transparent fashion.

CARE tries hard to be an enabler and as such, when problems arise our first response is to work to understand and enable solutions. Sometimes we are successful, but occasionally technology, economics and systems get in the way. We then must turn our attention to corrective actions, share the learnings and move forward. Such is the case with what we hoped would be a major opportunity for PCC generally referred to as CARs. We now know CARs is not viable and we have taken steps to correct our quarterly reporting numbers. Thus, should you compare past reports you will note a significant drop in pounds for Type 2 output. CARE continues to work on derivative outlets based on this novel concept and hope to be able to report on success in the future.

We have taken steps to understand the shutdown of The Carpet Recyclers in Carson and Carpet Collectors in Sacramento. At the same time we have seen markets soften for nylon 66 and a major drop in markets for padding, a key component for many carpet recyclers and processors. All this is to say ,we are working very hard to understand, enable and support recyclers of PCC.

You will note for the first time in this package the reporting of the new initiatives approved by the SFOC. We have already seen a significant response to the new initiatives in Q2 and expect further adoption and growth in coming quarters.

CARE sincerely appreciates the opportunity to work in partnership with CalRecycle and the people of California.

*Bob Peoples, Ph.D., Executive Director  
October 1, 2013*

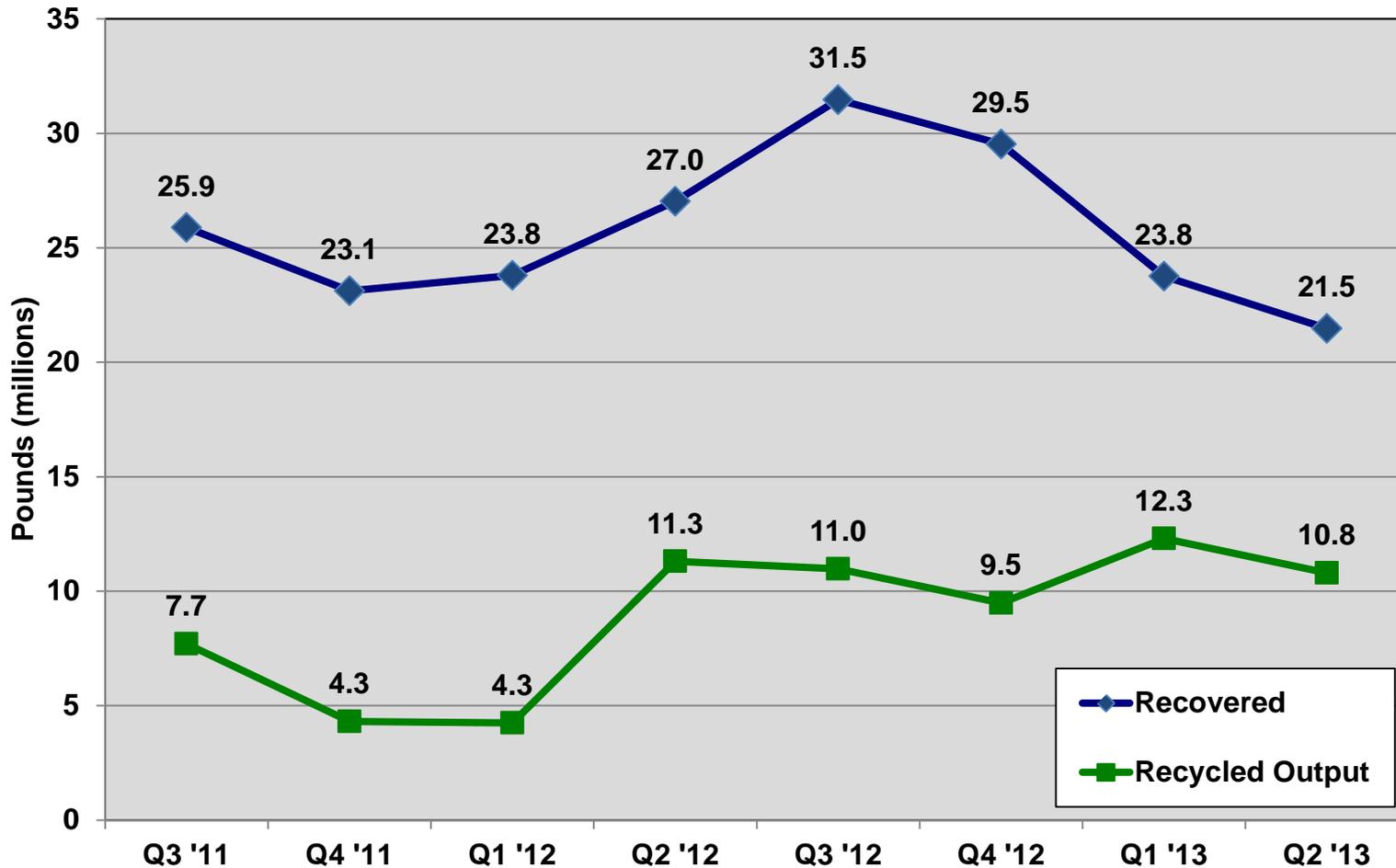


---

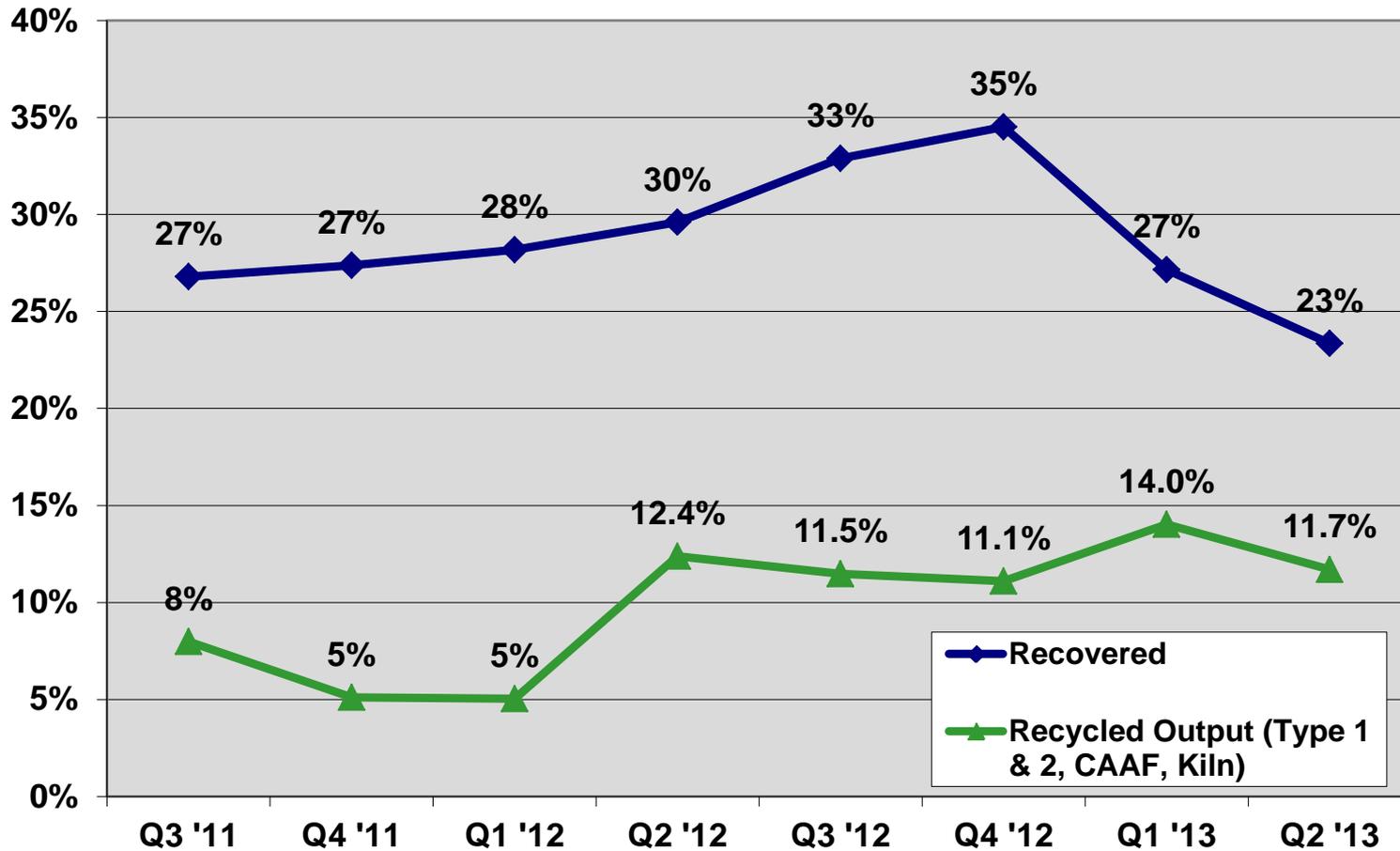
# AB 2398 Summary Results



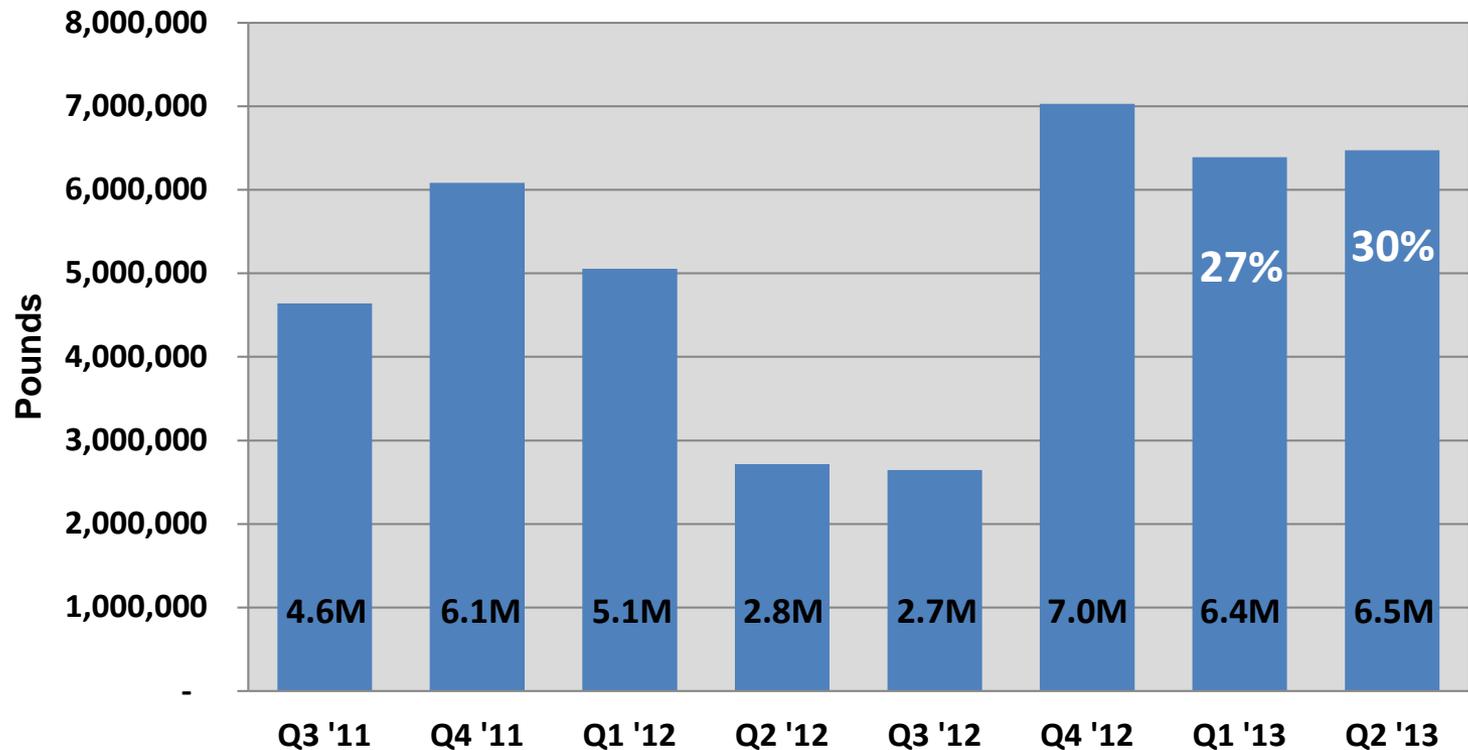
# AB 2398 Performance Trends (pounds)



# AB 2398 Performance Trends (percentage)



# Diverted PCC Sent Back to Landfill



Q2 Recovered: 21.5M pounds – 6.5M sent back to landfill  
Cumulative back to landfill: 41.0M lbs

Note percentage shown is % of Recovered PCC that actually goes to landfill.



---

# AB 2398 Manufacturers/Mills Quarterly Summary Report



# AB 2398 Manufacturers' Summary#

| Manufacturers                        | Q3 '11 | Q4 '11 | Q1 '12 | Q2 '12 | Q3 '12 | Q4 '12  | Q1 '13  | Q2 '13  |
|--------------------------------------|--------|--------|--------|--------|--------|---------|---------|---------|
| # Mills Registered                   | 80     | 80     | 80     | 81     | 81     | 80      | 80      | 79      |
| # Mills Not Reporting                | 0      | 0      | 0      | 4      | 4      | 4       | 4       | 4       |
| Non-response Rate                    |        |        |        | 5%     | 5%     | 5%      | 5%      | 5%      |
| <b>Remittance Collection Figures</b> |        |        |        |        |        |         |         |         |
| Total Sq Yd Sold (millions)          | 26.7   | 23.4   | 23.1   | 25.3   | 26.5   | 23.7    | 24.2    | 25.4    |
| Total Remittances (\$M)              | \$1.36 | \$1.17 | \$1.12 | \$1.26 | \$1.32 | \$ 1.20 | \$ 1.21 | \$ 1.27 |
| Top 10 Remittances (>\$10K)          | \$1.26 | \$1.06 | \$1.04 | \$1.17 | \$1.25 | \$ 1.10 | \$ 1.11 | \$ 1.18 |
| Top 10 Percentage of Total           | 93%    | 91%    | 92%    | 93%    | 94%    | 92%     | 92%     | 93%     |

Cumulative SQYD sold: 198M

Cumulative Remittances: \$ 9.9M

# As of Sept 16

Q2 Mills

Lost: Shelton & Len-Dal

Added: Hageman Carpets



# Manufacturer Performance Compared to Plan

## Quarter Results

|                           | 2013   |      |       |    |
|---------------------------|--------|------|-------|----|
|                           | Actual | Plan | Delta | %  |
| Carpet Sales (Myd2)       | 25.4   | 25.0 | 0.4   | 2% |
| Stewardship Fee Collected | 1.3    | 1.3  | 0.0   | 2% |

## Cumulative Figures

|                                 | Actual | Plan    | Delta     | %   |
|---------------------------------|--------|---------|-----------|-----|
| Carpet Sales (Myd2)             | 198    | 200     | (2)       | -1% |
| Stewardship Fee Collected (M\$) | \$ 9.9 | \$ 10.0 | \$ (0.09) | -1% |



---

# AB 2398 Processors Quarterly Report



# New Payout Plan Design: A Reminder

**SPC and SFOC agreed that the new payout plan will:**

- Create an incentive for finding homes for PET
- Hire “Feet on the Street” in California
- Explore and find new homes for PET
- Maximize use of the fund
- We all recognized that it will take some time to fully realize our overall goals.



# Growth Incentive Contributions\*

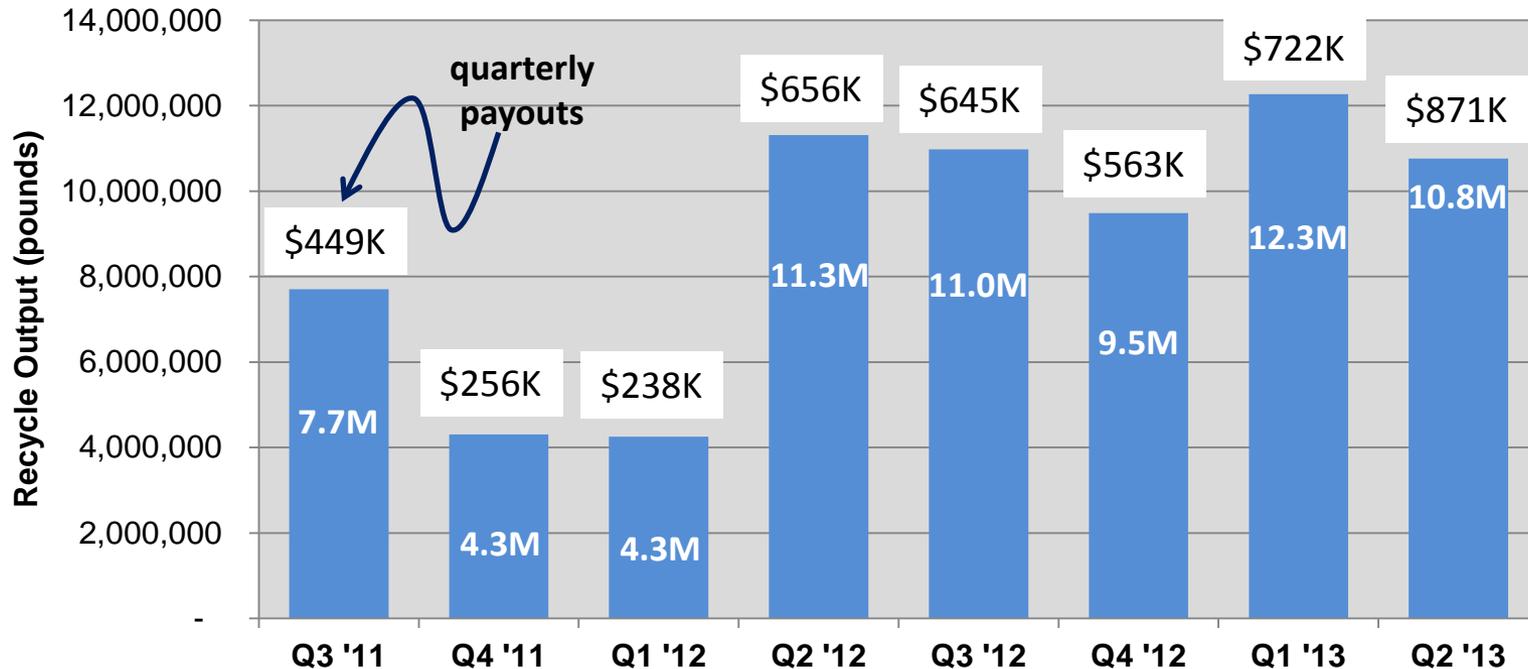
|   |            |
|---|------------|
| Total Type 1 Pounds for Quarter                       | 10,660,475 |
| Target Pounds for growth incentive                    | 8,500,000  |
| Over (Under) Target                                   | 2,160,475  |
| Total Growth Incentive Pool (10 cents/lb over target) | \$216,048  |

|                                   |                             |            |       |
|-----------------------------------|-----------------------------|------------|-------|
| PROCESSORS                        | Type 1 standard payout      | \$ 642.7K  |       |
|                                   | Type 1 growth bonus payout  | \$ 216.0K  | ← 25% |
|                                   | Total Type 1 Payout         | \$ 858.7K  |       |
|                                   | Total Type 2 Payout         | \$ 10.7K   |       |
|                                   | Kiln                        | \$ 1.4K    |       |
|                                   | Total All Processor Payouts | \$ 870.8K  | ←     |
|                                   | Non-nylon (Tier 2) Payouts  | \$ 179.4K  |       |
| Total Program payouts for quarter |                             | \$1,050.2K |       |



\* Payouts include Type 1, but excludes Type 2 \$s for Carpet Collectors

# Recycle Output Summary - Processors\*

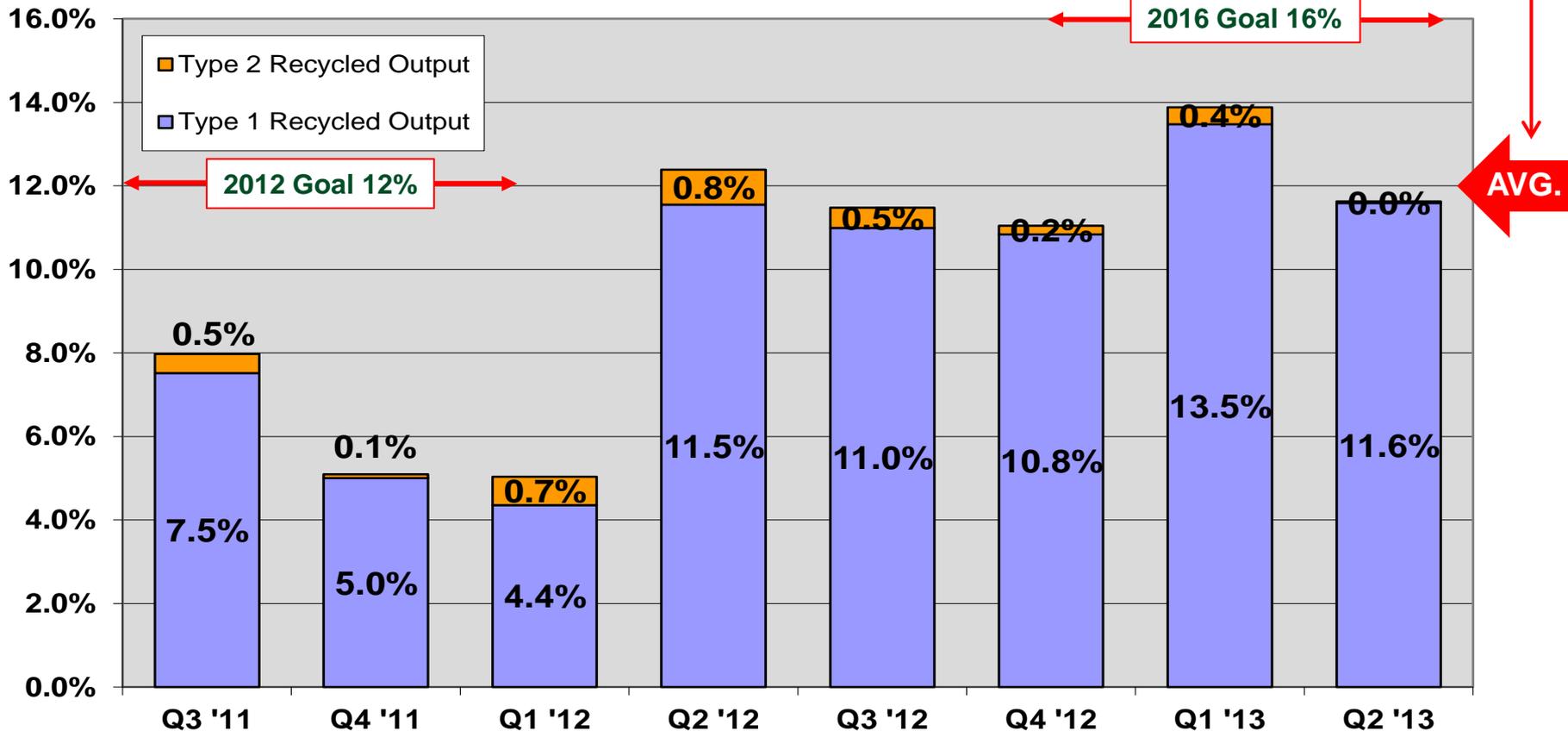


|  |         |
|--|---------|
| Cumulative pounds recycled:              | 71M     |
| Cumulative Payments – Tier 1 Processors: | \$ 4.4M |



# Recycled Output Results Compared to Plan\*

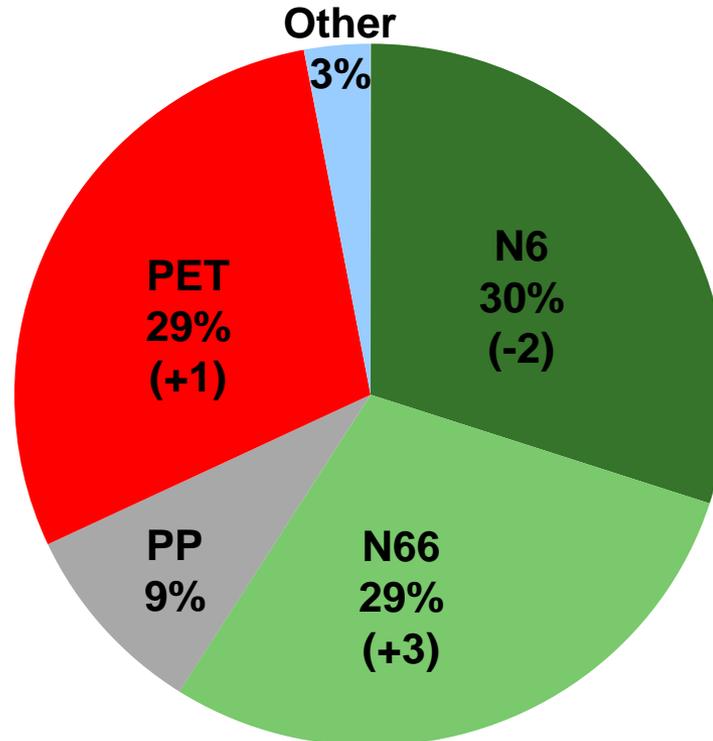
Recycle output rolling average over last 3 quarters = 12.1%



- Recycled output is 11.7%
- Type 2 = <1% of recycled output



# Quarterly Collection: Face Fiber Breakdown\*



Quarterly data from  
Recycler's Reports

\* Data based on reported percentages by CA recyclers, however, may not be accurate due to preferential selection of higher value nylon.



---

# Rural Counties Update



# CalRecycle\*

## ■ Rural Counties Project

- Project completed end of February
- Pilot program continued during analysis phase
- 24 trailers (28') have been filled
- Total cost \$49,510 = \$2,063/trailer
- Avg. weight per trailer estimated at 13,500 pounds
- Total estimated weight = 324K pounds
- Costs ~\$0.15/lb.

\* Data as of Sept. 18, 2013



# CalRecycle

- **Rural Counties Plan** (submitted May 31, 2013)
  - Go from 6 to 10 rural counties by January 2014
  - Go from 10 to 16 rural counties by July 2015
  - Implement remaining rural county expansion as experience and interest dictate between July 2015 and June 2016.
  - Develop new marketing/communication materials and public outreach messaging to inform rural county residents, and local personnel at the collection sites.
  - CARE will make resources available to aid in set up, signage and on-going logistics.

*Program rollout underway fall 2013*



---

# Recommendations to SFOC



# Recommendations for SFOC Approval

- 1) Approve Processor Distribution (\$871K)
- 2) Approve Tier 2 Distribution (\$179K)
- 3) Approve Administrative reimbursements (\$217K )

*Total Payout 2Q: \$ 1,267K*

- 4) Approve revised goal of 20% by 2020 (goal of 16% by 2016 stands)\*
- 5) Disallow payments for Type 2 CARS application to CC
- 6) Approve return of all CC held monies to the general AB 2398 fund
- 7) Approve CARE to seek recovery of unqualified Type 2 funds

\* The technology does not yet exist at this time to exceed 16%. It is under development.



# End of Review

Following slides are for reference



# CalRecycle\*

- Revised Plan uses the following:
  - Baseline: Agreed to use CARE baseline methodology

$$\text{Discards} = (((\text{Sales} * R) * P) + D)$$

- S= actual CA sales as reported
- R= replacement estimate (85%)
- P= average weight (4.2 lb/sqyd)
- D= demolition not replaced (1.3%)

\* CalRecycle would like to see more detail and transparency



# Definitions

The report contains numerous abbreviations:

- CAAF – carpet as alternate fuel
- CARE – Carpet America Recovery Effort ([www.carpetrecovery.org](http://www.carpetrecovery.org))
- Company in good standing – see next page
- Diverted – PCC removed from waste stream for reuse, recycle, CAAF or WtE
- HA&W - accounting firm responsible for independent audits
- Kiln – cement kiln
- Manufactures – manufacturers of carpet and carpet tile products
- Mills – manufacturers of carpet and carpet tile products
- PCC – post-consumer carpet
- Processors – companies who process post-consumer carpet
- Recovered – pounds of CA PCC diverted from landfill to a collector or processor
- Recycled Output – processed pounds of product produced from CA PCC
- SFOC – Sustainable Funding Oversight Committee
- WtE – waste to energy



# Definition: “A Company in Good Standing”

- The company must complete all required CARE reporting of activities in accordance with the time-frame required by the Carpet Stewardship Plan.
- The company must be compliant with all federal state and local OSHA, DOT Fire Department, EPA and all other regulatory agencies requirements.
- The funds being requested will be compliant with CARE's agreed upon procedures and be able to be verified through sales bills and/or a document from a certified scale.
- CARE Dues are current.
- Signature on the request for funds verifies that the company is operating in good standing.

