
CARE Sustainable Funding Oversight Committee

Q1 2015 AB 2398 Summary &
Recommendations for Approval

Updated 6/11/15

Version 1



Agenda

- ✓ Quarterly Overview of Results
- ✓ Manufacturers Report
- ✓ Processors Report
- ✓ Other Information
- ✓ Approval Requests



CARE's Executive Director's Message

The 1st quarter of 2015 continued to be an eventful and challenging period for carpet recycling in California. CARE worked diligently in response to CalRecycle's 2013 Annual Report findings announced in late Q3-2014, taking aggressive actions to address concerns related to the pace at which the Program is making continuous and meaningful improvement in line with statute provisions. CARE engaged in a thorough and deliberative process to consider various options and opportunities to address these concerns. In addition, the Program sought input from industry and stakeholders, including the completion of an initial market research survey conducted by communications firm Gigantic Idea Studio, and an outreach pilot Program targeting the San Francisco Bay Area in order to guide Program efforts for the year ahead. Analysis and deliberations resulted in the proposed Plan addendum submitted to CalRecycle on December 23, 2014, outlining several aggressive Program adjustments to take effect in 2015. CalRecycle approved these changes on January 5, 2015.

The amended Plan incorporates an increase in the California Carpet Stewardship Assessment from 5 cents per square yard to 10 cents per square yard of carpet sold or shipped in California, effective April 1, 2015. New incentives as well as adjustments to existing incentives are both made possible by this assessment increase and were enacted in response to dynamic market conditions, exacerbated by falling global oil and natural gas prices as well as port challenges limiting movement of goods through California. Efforts taken during Q1-2015 focused on the launch of the new assessment, to manufacturers, retailers, processors and stakeholders through multiple communications strategies. The program also added a FTE staff member, Lisa Mekis, in April 2015.

It should be noted, Q1 sales for carpet were the lowest in Program history. As new carpet sales drive recycling, it is no surprise recycle activity declined, as is expected. The normal seasonal decline in recycled output continued in 1st quarter 2015.

CARE continues to review results and look at options to accelerate the progress. With the recent changes implemented for Q2, CARE is confident the new adjustments planned for 2015 will help to reverse the trend.

To sign up for Program Updates, please visit: www.carpetrecovery.org/california-ab-2398/

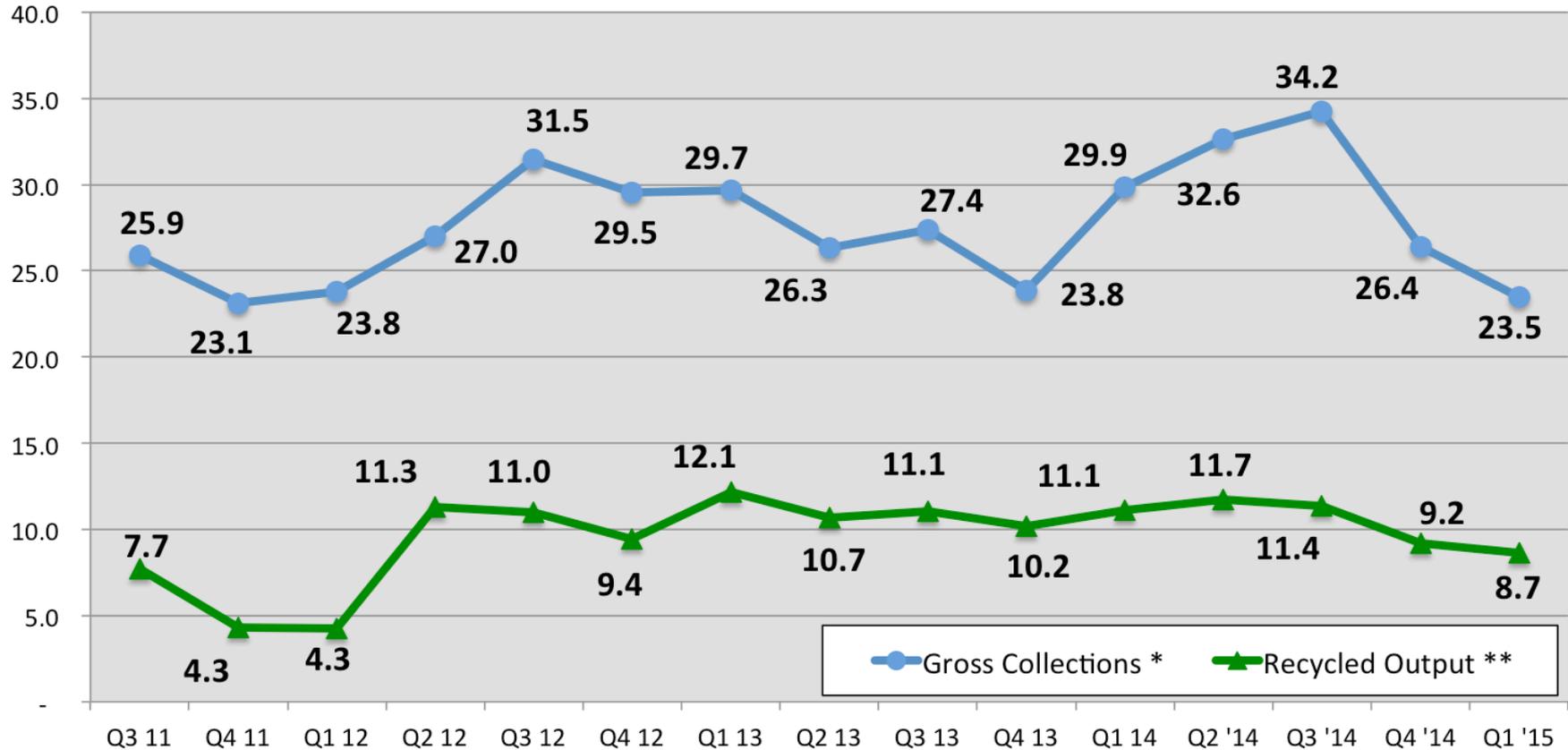
Robert Peoples, Ph.D., Executive Director, June 11, 2015



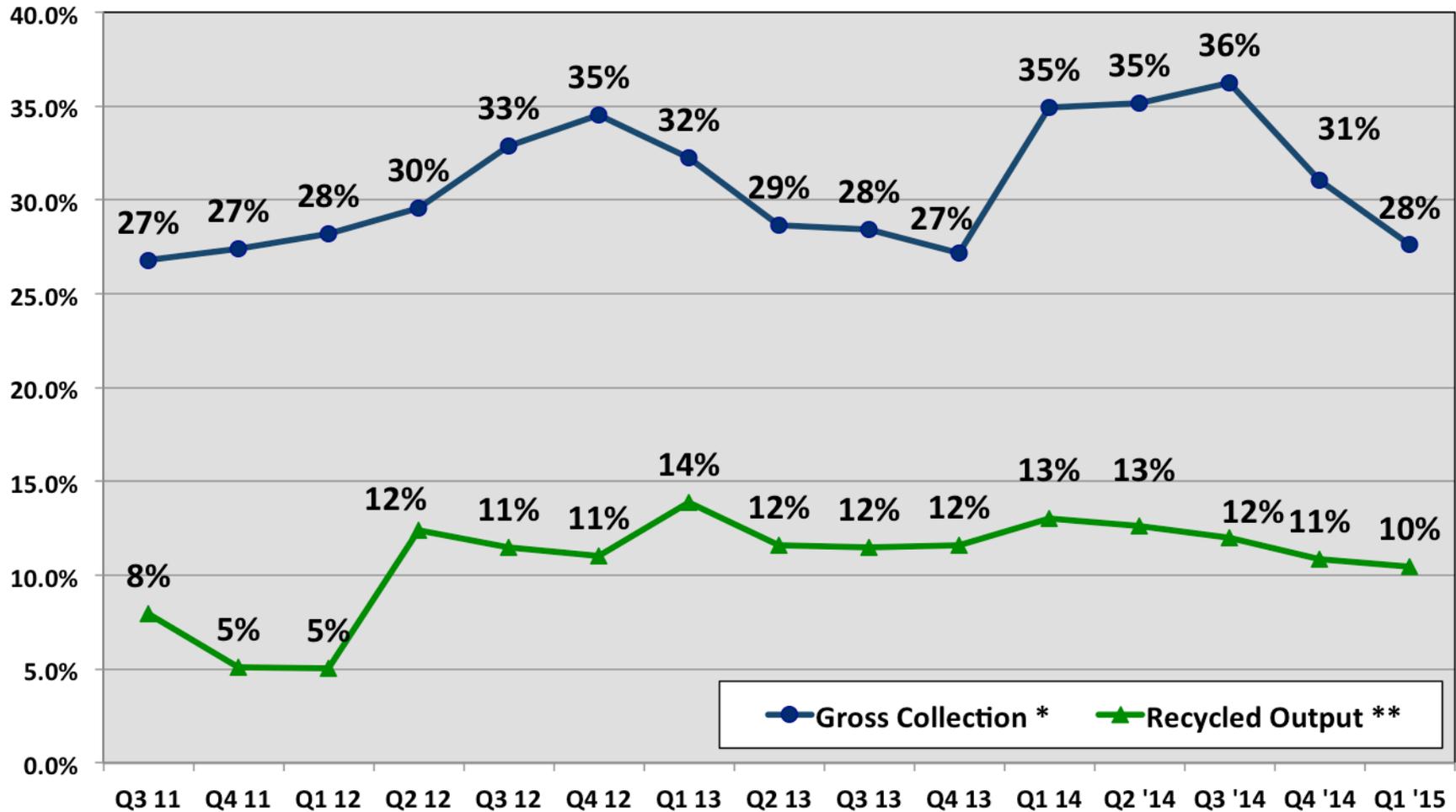
AB 2398 Summary Results



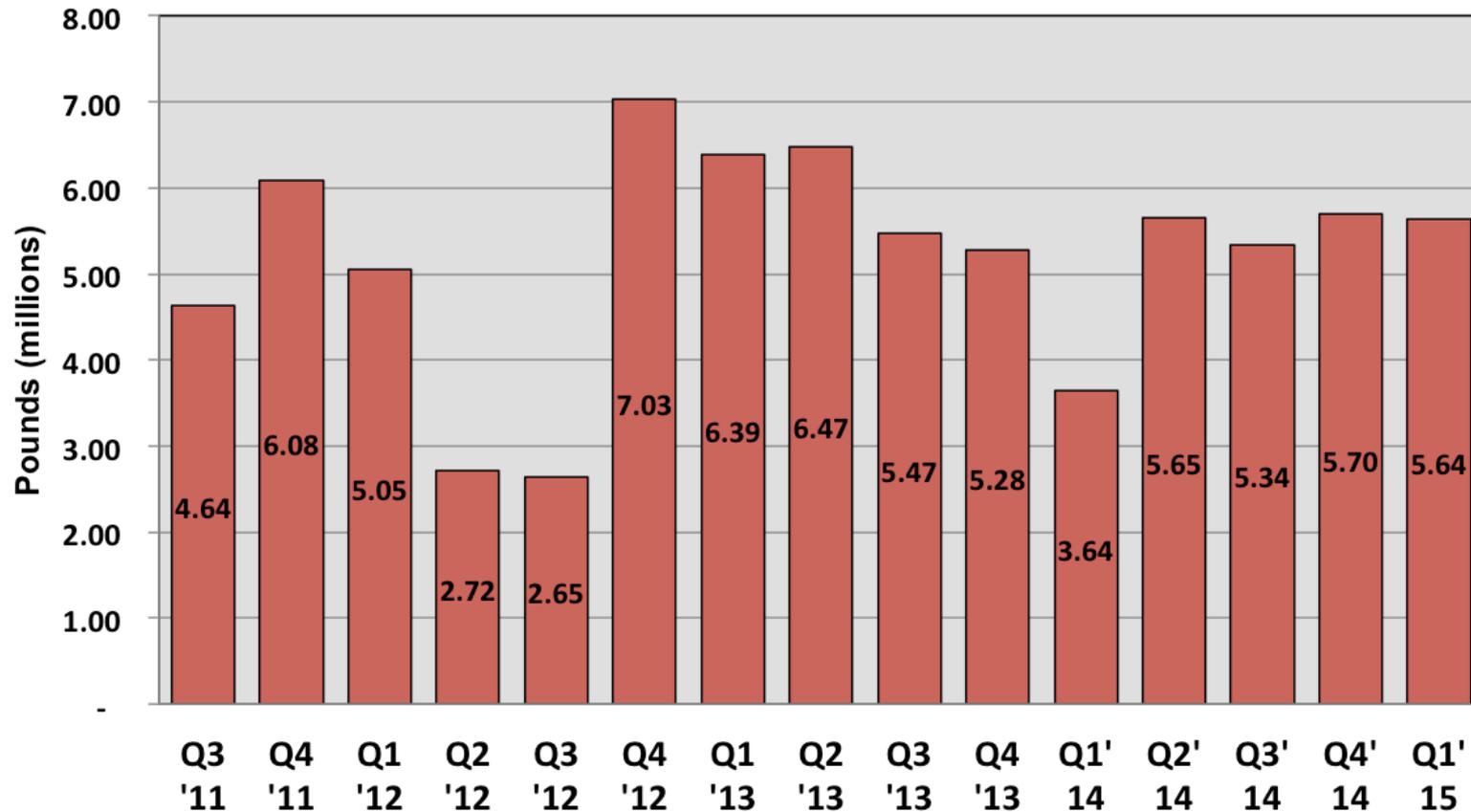
AB 2398 Performance Trends (millions of pounds)



AB 2398 Performance Trends (percentage)



Gross Collected PCC Sent Back to Landfill*



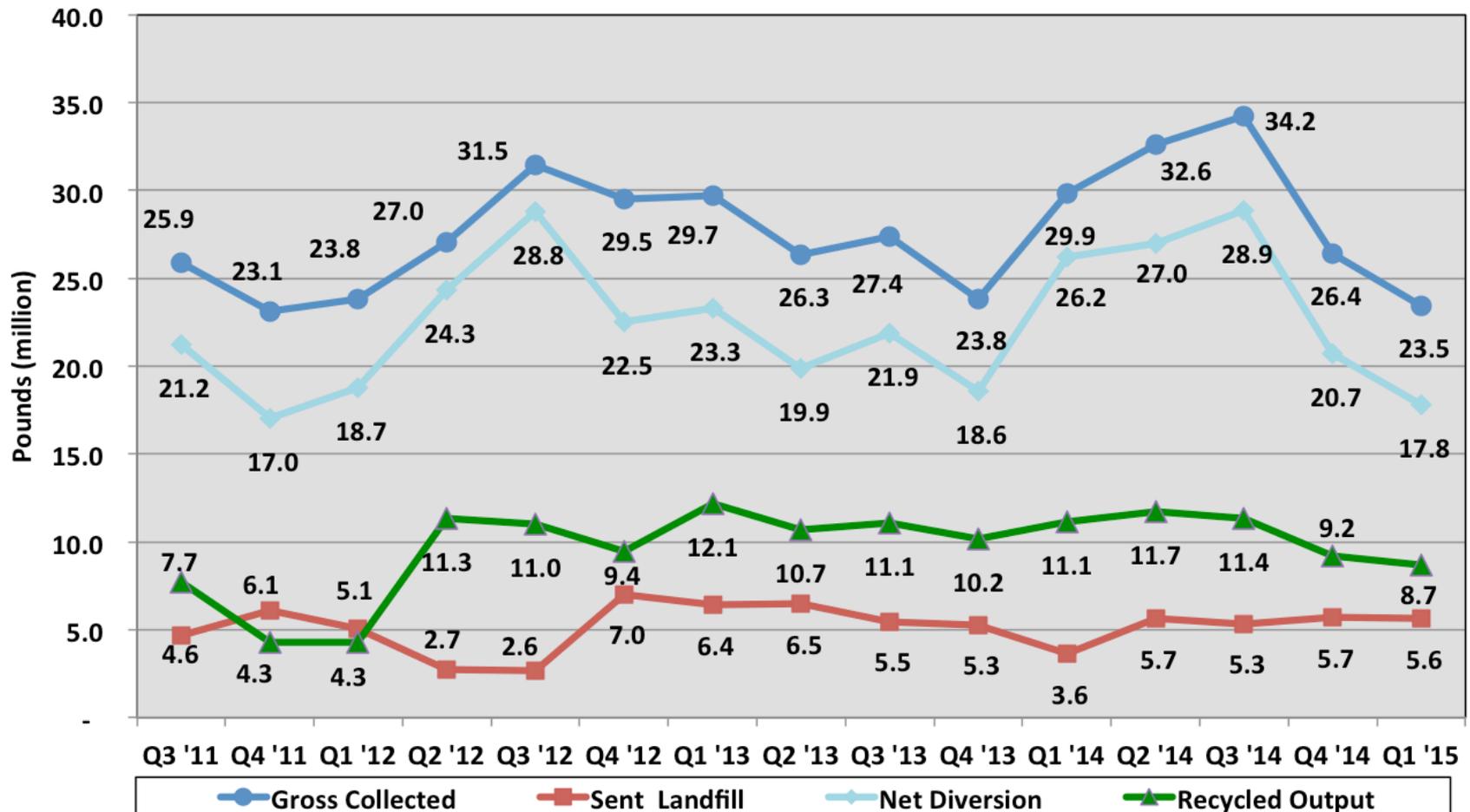
Note: 2014 landfill numbers were adjusted down due to a correction for material actually sent to a kiln instead of the landfill.

Q1 Gross Collected: 23.5M pounds – 5.6M sent back to landfill
 Cumulative back to landfill: 77.7M lbs. [decrease since Q4, due to Kiln]



* Percentage shown is % of Gross Collected PCC that actually goes to landfill as PCC or process waste. Data above includes Processor as well as Sorter landfilled pounds beginning in Q2 2014.

Performance Trends



Net Diversion = Gross Collection – Sent to landfill*

* Sent to landfill is both Processor & Sorter waste PCC plus processing waste.

**Reflects Increase in GC from 22.8M to 23.5M; Decrease in Net Diversion from 18.8M to 17.8M, offset by additional WTE; Increase to LF from 4.1M to 5.6M; No Change to RO

AB 2398 Manufacturers/Mills Quarterly Summary Report



AB 2398 Manufacturers' Summary*

Manufacturers	2011	2012	2013	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15
# Mills Registered	80	80	79	79	79	79	77	76
# Mills Not Reporting	0	4	5	2	0	1	1	0
Non-response Rate		5%	6%	3%	0%	1%	1%	0%
Remittance Collected								
Total Sq Yd Sold (millions)	50.1	98.5	100.5	23.6	25.7	26.1	23.5	22.9
Total Remittances (\$M)	\$2.53	\$4.91	5.0	\$ 1.18	\$1.28	\$ 1.31	\$1.17	\$ 1.16
Top 10 Remittances (>\$10K)	\$2.33	\$4.55	4.65	\$ 1.05	\$1.18	\$ 1.20	\$1.06	\$ 1.06
Top 10 Percentage of Total	92%	93%	92%	89%	92%	92%	90%	91%

Cumulative SQYD sold: 371M

Cumulative Remittances: \$18.6M

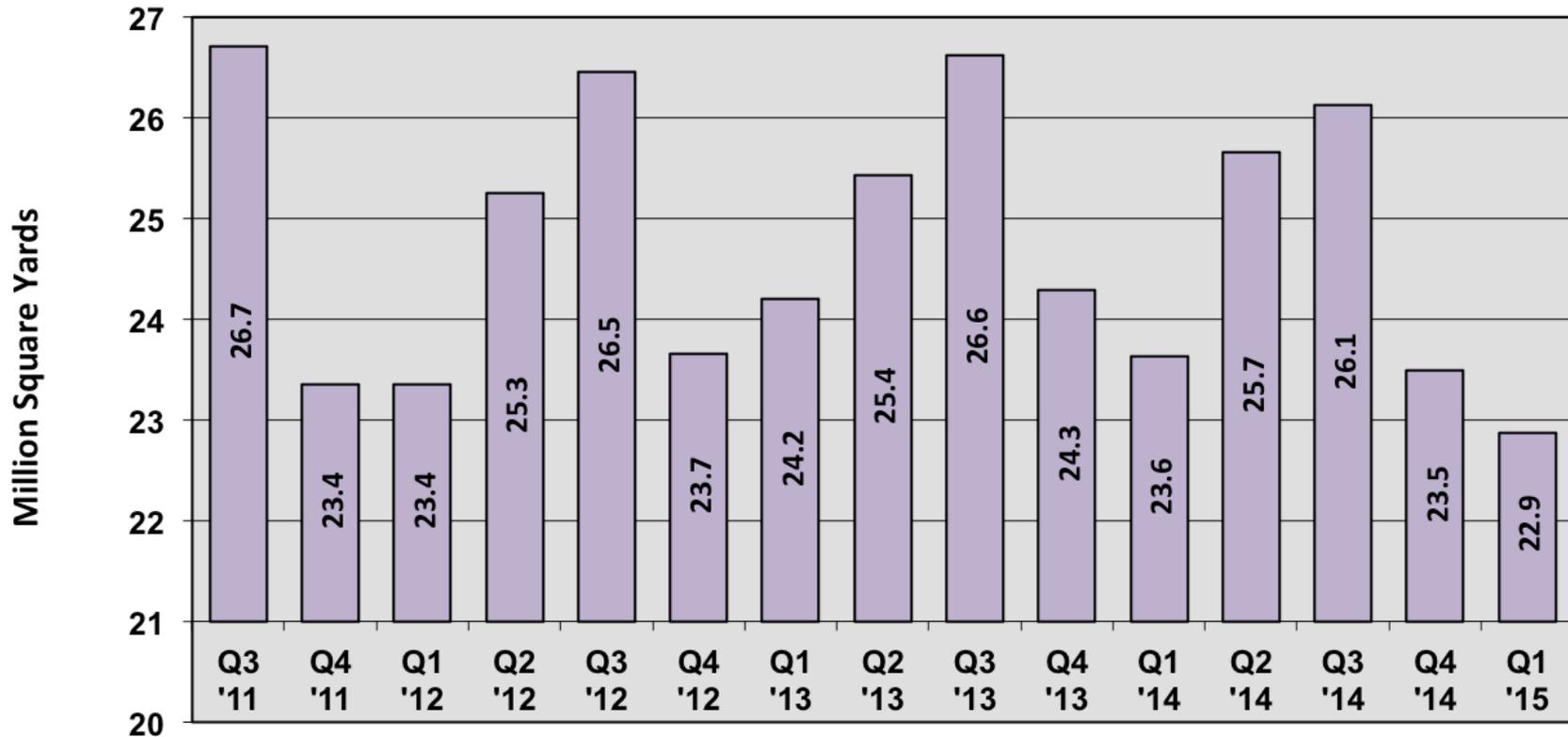
Note, reduction in number of mills is a result of consolidation/merger of one or more mills, rather than business closure; It is anticipated that this number may reduce further in 2015.

* As of 6/3/15



Total Square Yards of CA Sales

NEW



Average Q1 Sales 2012, 2013, 2014 = 23.7 M yd²
Q1 2015 Sales Down 3.5 % compared to Q1 Average



AB 2398 Processors Quarterly Report



Growth Incentive Contributions

Total Type 1 Pounds for Quarter	8,657,922
Target Pounds for growth incentive	11,000,000
Over (Under) Target	-2,342,078
Total Growth Incentive Pool (10 cents/lb over target)	\$0

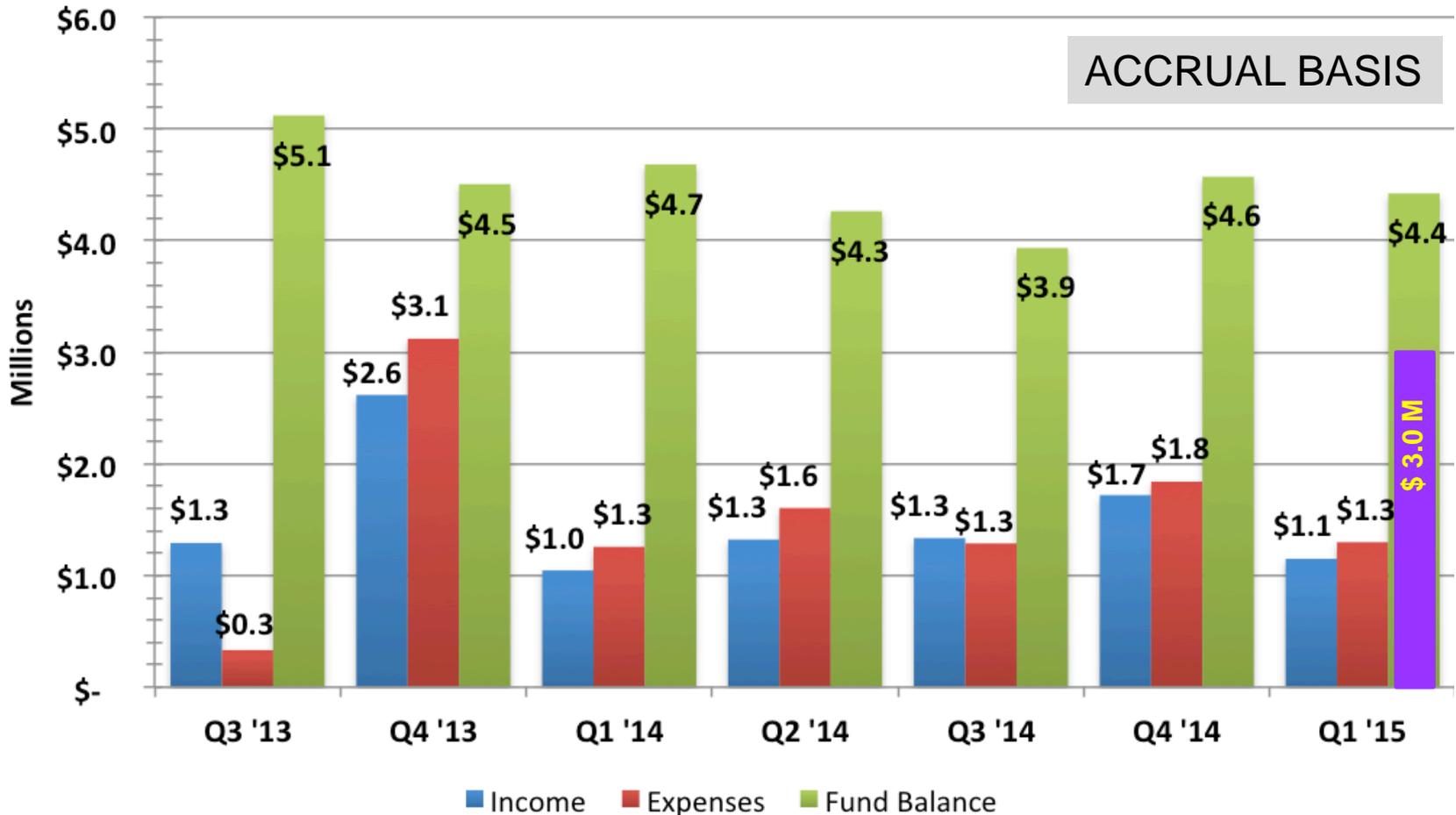
	Description	Amount in Thousands
Processors	Type 1 Standard Payout	\$ 519.5
	Type 1 Growth Bonus Payout	\$ -
	<i>Total Type 1 Payout</i>	\$ 519.5
	Type 2 Filler/Other	\$ -
	Type 2 CAAF	\$ -
	Type 2 Kiln	\$ 47.8
	<i>Total Type 2 Payout</i>	\$ 47.8
	Adjustments*	\$ 239.7
	Total All Processor Payouts	\$ 807.0
	Non-nylon (Tier 2) Payouts	\$ 282.6
Total Program Payouts for Quarter	\$ 1,089.6	
Expenses	\$ 209.41	
Total	\$ 1,299.00	

← No Processor Growth Bonus
2.3M pounds under Growth target

← Adjustment: pounds diverted to kiln in Q1-Q4 2014, discovered Q1 2015



Fund Balance Trends*



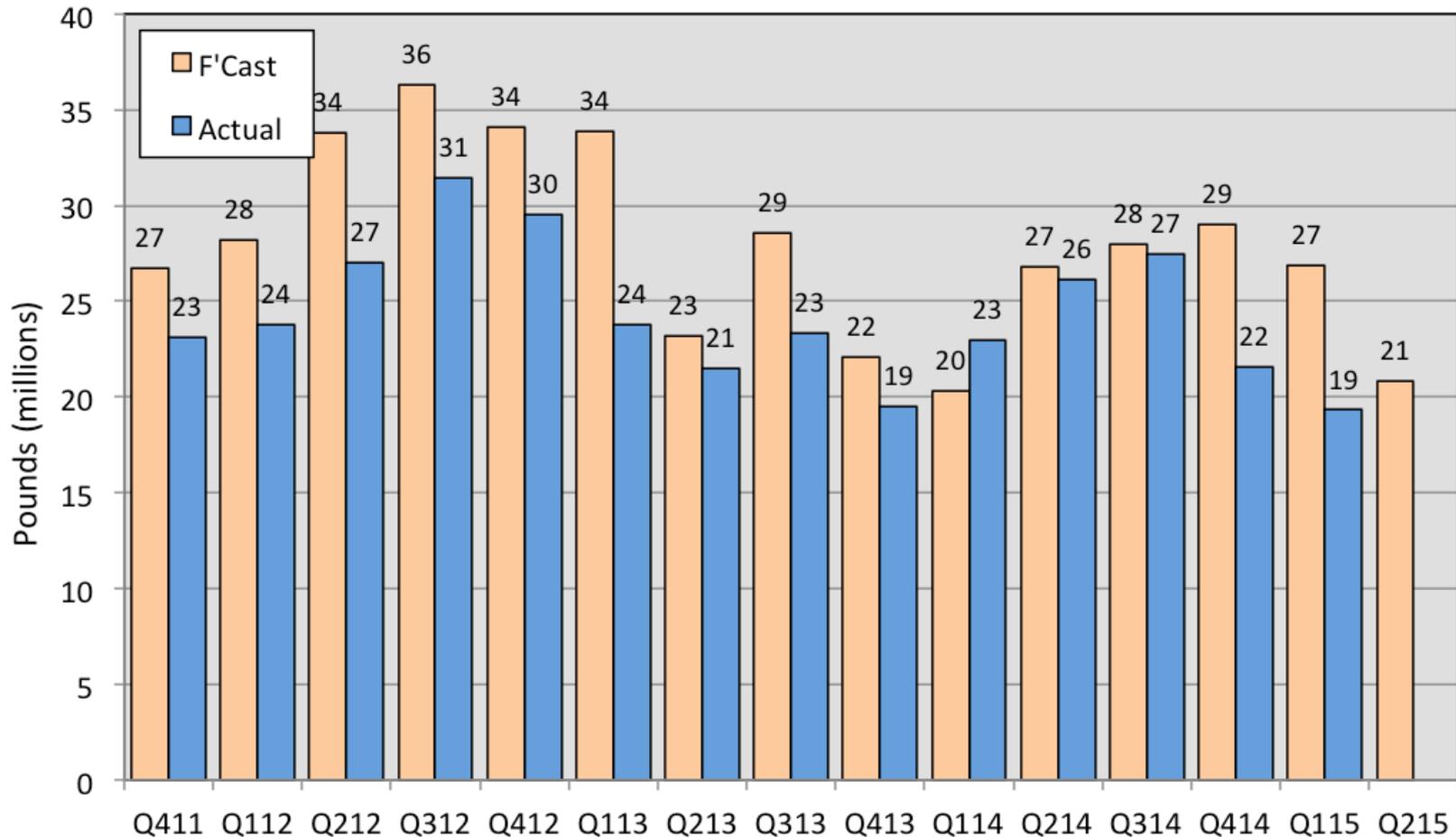
* Includes Processors + Tier 2 Manufacturers

** Reserve = last 4 quarter payouts divided by 2 to ensure fund availability and stability

*** Adds 2014 Kiln Adjustment of \$239K to Q1 Expense Category



Gross Collection (lbs): Processor Estimates

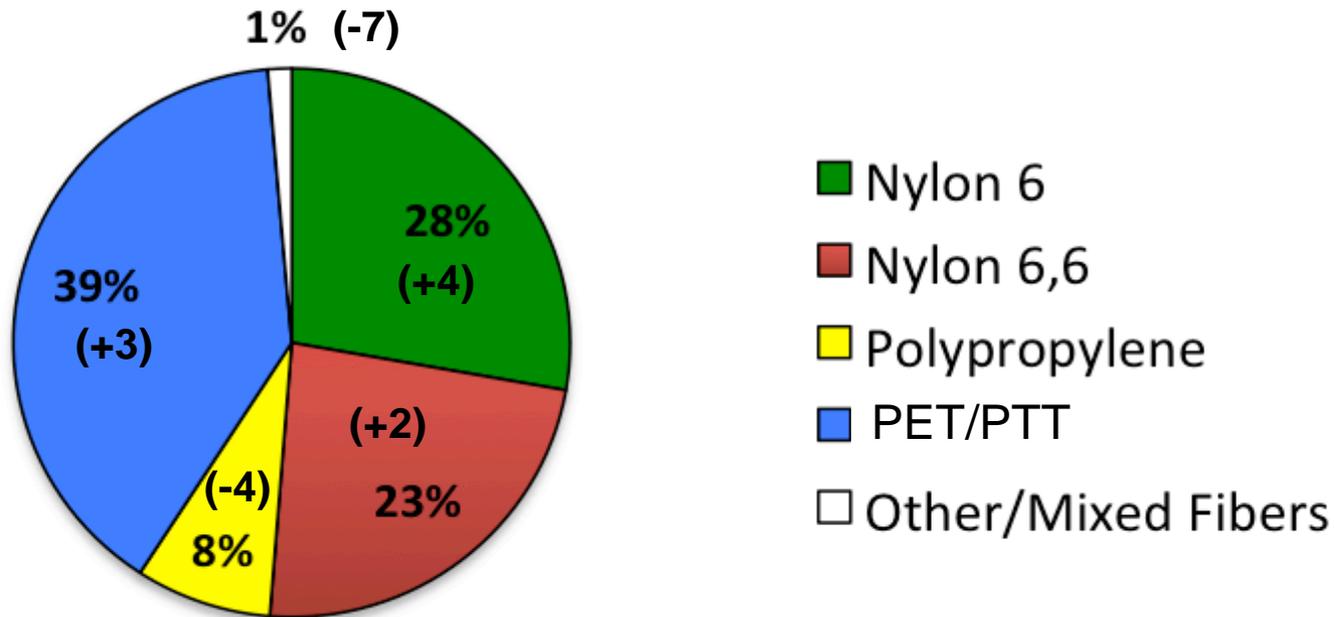


Gross Collected Pounds (in millions of pounds) are listed along chart peak
 Percent difference between Forecasted vs. Actual appears along chart base



Quarterly Collection: Face Fiber Breakdown*

Percent Fiber By Type (Q1 2015)



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.



Recommendations to SFOC



Recommendations for SFOC Approval

Approve:

- | | |
|---------------------------------|----------|
| 1) Processor Distribution | \$567.3K |
| 2) Tier 2 Distribution | \$282.6K |
| 3) Special Kiln 2014 adjustment | \$239.7K |
| 4) Administrative expenses | \$209.4K |

Total Payout: \$1,299K



End of Review

