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# CARE Sustainable Funding Oversight Committee

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**Q3 2015** AB 2398 Summary &  
Recommendations for Approval

*Updated 12/7/15 v7*



# Agenda

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



# CARE's Executive Director's Message

Third quarter results reflect the continuing decline in market demand for recycled post-consumer carpet based materials. While carpet sales in Q3 were strong as expected, for the first time we saw a dramatic decline in recycled output. CARE continues to try and understand the dynamics of this declining market and take steps to both mitigate the impact to our stakeholder community and understand how we can stimulate further use of PCC materials. Dialog with both domestic and international experts on recycling in general, and carpet specifically, continues to indicate the price of crude oil underpins the collapse in pricing of many recycled commodities. In addition, the shutdown of flow to two major US recyclers and a period of curtailment by a third, along with the collapse of demand from China have also been significant factors in this drop in market outlets. At this time a common refrain among recyclers has been, "I have no orders for material."

As a result of this dramatic decline, CARE has worked with the SPC and SFOC to implement a significant round of new and increased subsidies in an effort to move the market. The subsidy increases were made retroactive to Q3 in an effort to support the CA infrastructure under this time of stress. This has been done in concert with hosting 5 stakeholder workshops this quarter soliciting feedback and ideas. Input from participating stakeholders along with CalRecycle, resulted in the content put forward in Addendums 2 & 3. Early responses to higher subsidies indicate traction, but as we know, such market moves take time to gain impact due to testing demands, equipment purchases/modifications and adoption.

The SFOC approved Addendums 2 & 3 for submission to CalRecycle in response to the RFA of September. Among the many changes CARE will be requesting an increase in the assessment from 10 to 20 cents/sqyd effective March 1, 2016 in addition to the formation of a new California Council for Carpet Recycling and a new grant programs.

*Bob Peoples, Ph.D., Executive Director, December 4, 2015*



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# AB 2398 Summary Results



# Group Definitions for Reference

- CSE: Collector/Sorter Entrepreneurs (only collect & sort, no further processing)
- Processors: Convert PCC into Type 1 or Type 2 output
- Manufacturers: Also referred to as Tier 2 – convert Type 1 processor output into salable products (examples: carpet, pellets, fiber pad, EcoStrate, GeoHay, etc.)
- Mills: Producers of broadloom carpet and carpet tile



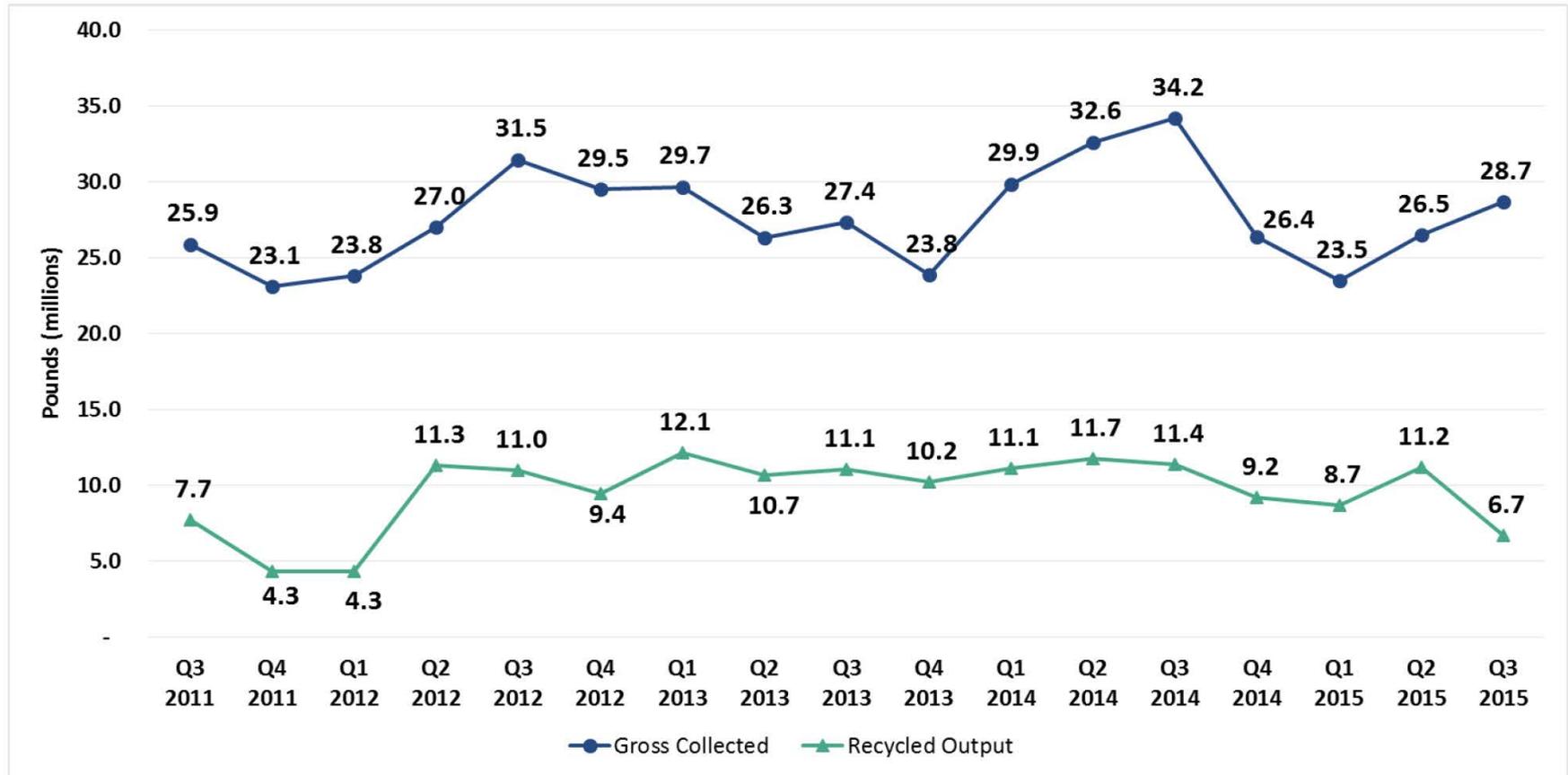
# Summary of Incentives

Element	Metric	Effective	Status
Tile/Broadloom REUSE Payout	\$0.10/lb	Q2-2015	<b>Clarified:</b> both Tile and Broadloom are eligible; To drive reuse as higher better use; Retroactive Q2
Tile Recycled Output Payout	\$0.10/lb	Q2-2015	No Change: To drive 100% recycle of tile
Type 1 Recycled Output Payout	\$0.10/lb	Q3-2015	<b>Modification:</b> Increased from \$0.06 to \$0.10/lb <sup>1</sup>
Bonus for Type 1 Output Growth	\$0.10/lb	Q3-2014	No Change: Growth target changes annually; Currently offered for lbs above 11M lbs/Qtr
Type 2 Recycled Output Payout	\$0.03/lb	Plan	No Change
Type 2 Calcium Carbonate Payout	\$0.17/lb	Q3-2015	<b>Modification:</b> Increased from \$0.12 to \$0.17/lb
Tier 2 End User Non-Nylon Payout	\$0.25/lb	Q3-2015	<b>Modification:</b> Increased from \$0.17 to \$0.25/lb
Tier 2 End User Non-Nylon Growth	\$0.10/lb	Q2-2015	No Change: Growth target changes annually; Currently offered for lbs above 2M lbs/Qtr
CAAF/Kiln Payout*	\$0.03/lb	Plan	No Change
Collector/Sorter (CSE) Payout*	\$0.02/lb	Q3-2015	<b>New:</b> Compensates CSEs for lbs collected, sorted, shipped/sold <sup>2</sup>
Grant & Loan Program	Various	Q4-2015 release	<b>New:</b> Conditionally approved in Addendum #2; No Loan Program; Cycle 1 release in Q4-2014
Other Resources	Various	Q1-2016	<b>New:</b> Includes ME&O, Collection, Staffing, etc.

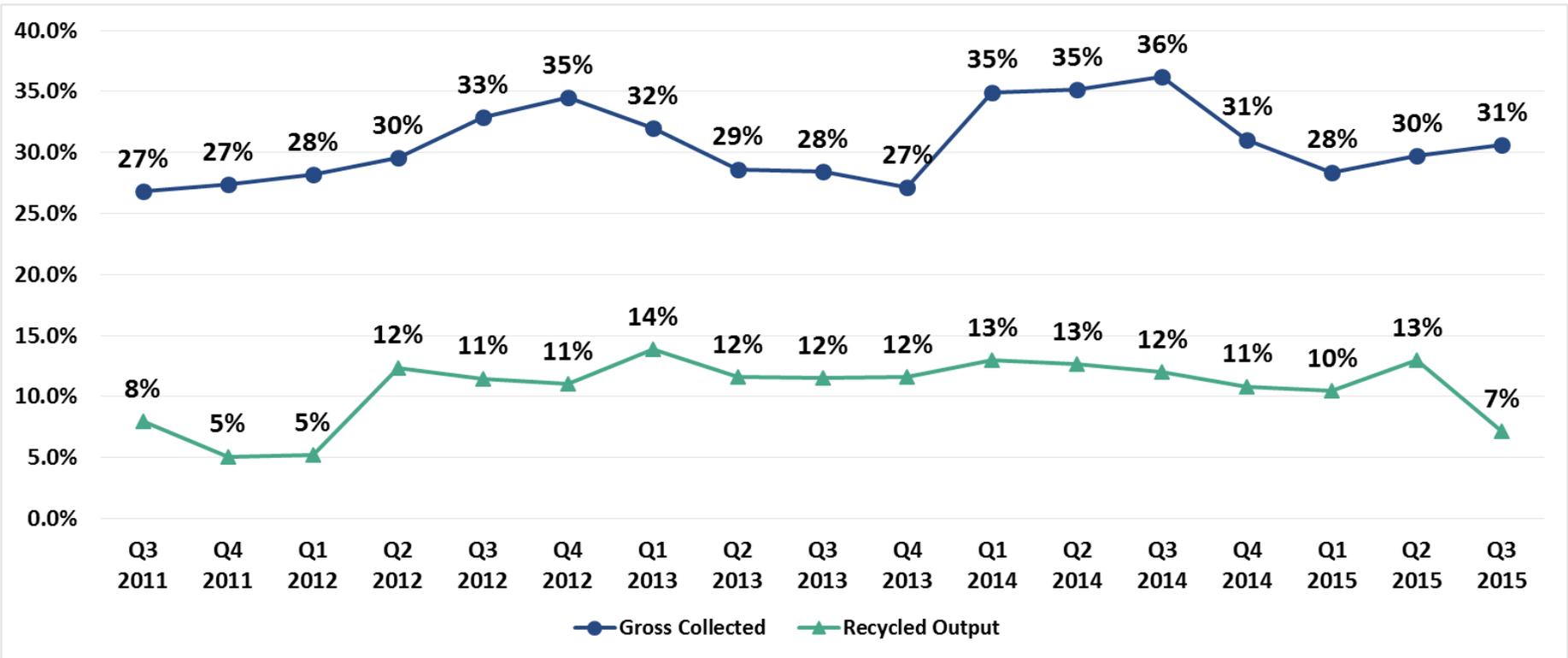
1. Additional 4 cents tied to market indices of oil/petroleum, virgin nylon and/or bottle PET; to be reviewed quarterly by SPC. 2. Capped at \$150K/quarter or \$400K/year per company.



# AB 2398 Performance Trends (millions of pounds)



# AB 2398 Performance Trends (percentage)



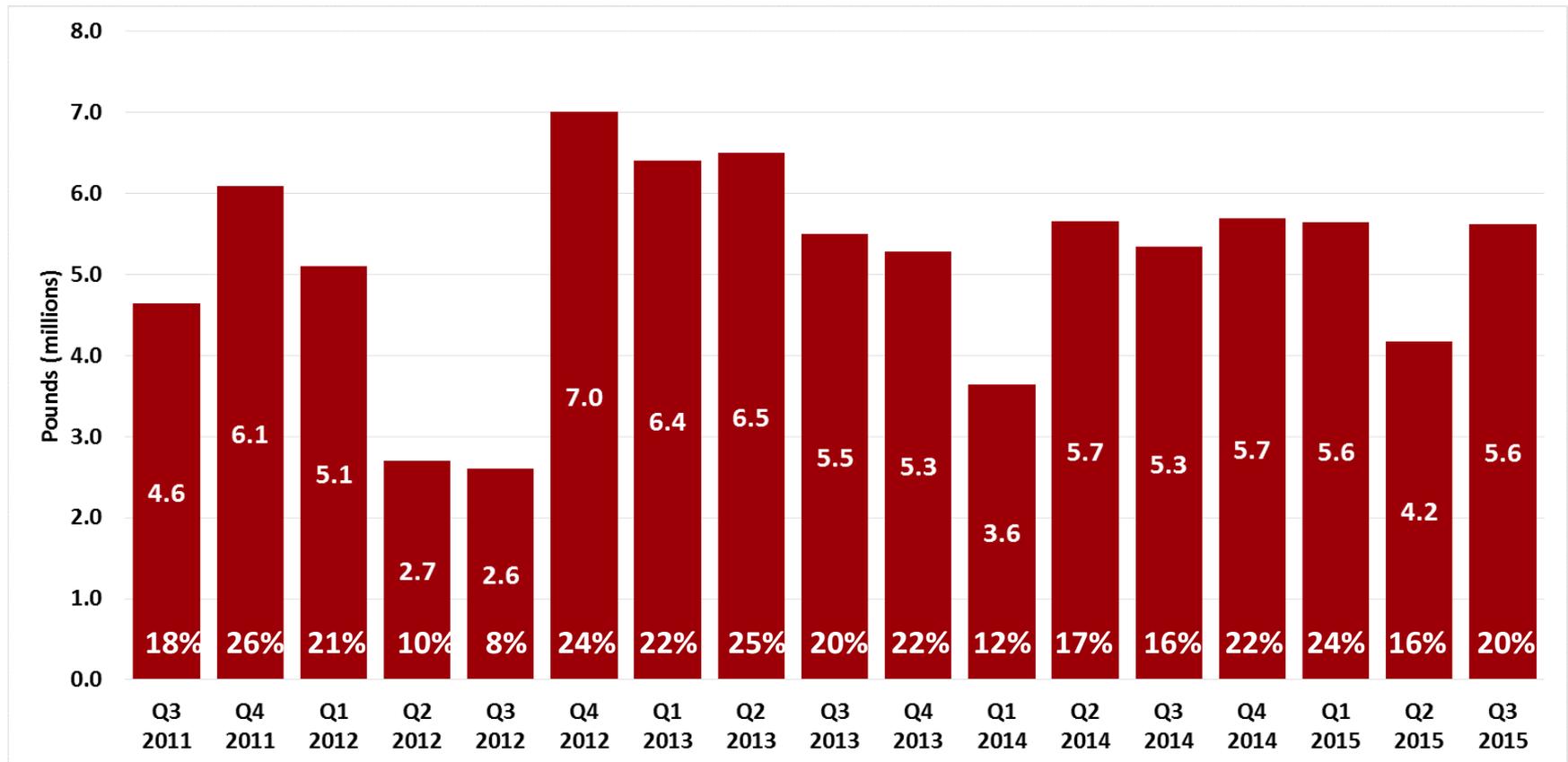
Beginning Q3-2015, adjustments for water content will be applied as appropriate.

Beginning Q2-2015, the discards calculation applies updated variables for R (0.84) and D (0.0051), based on new data from third party firm Market Insights, LLC dated 3/2015. Formula adjustment is presented in 2014 Annual Report. These adjustments result is a reduced discards estimate of (1M) lbs in Q2 2015 and increased RO rate of 0.3%. No retroactive adjustments have been made at this time.



# Gross Collected PCC Sent Back to Landfill\*

*NOTE: Reductions in 2014 & 2015 due to increased use of Kiln & new CaCO<sub>3</sub> incentive as of Q2-2015*

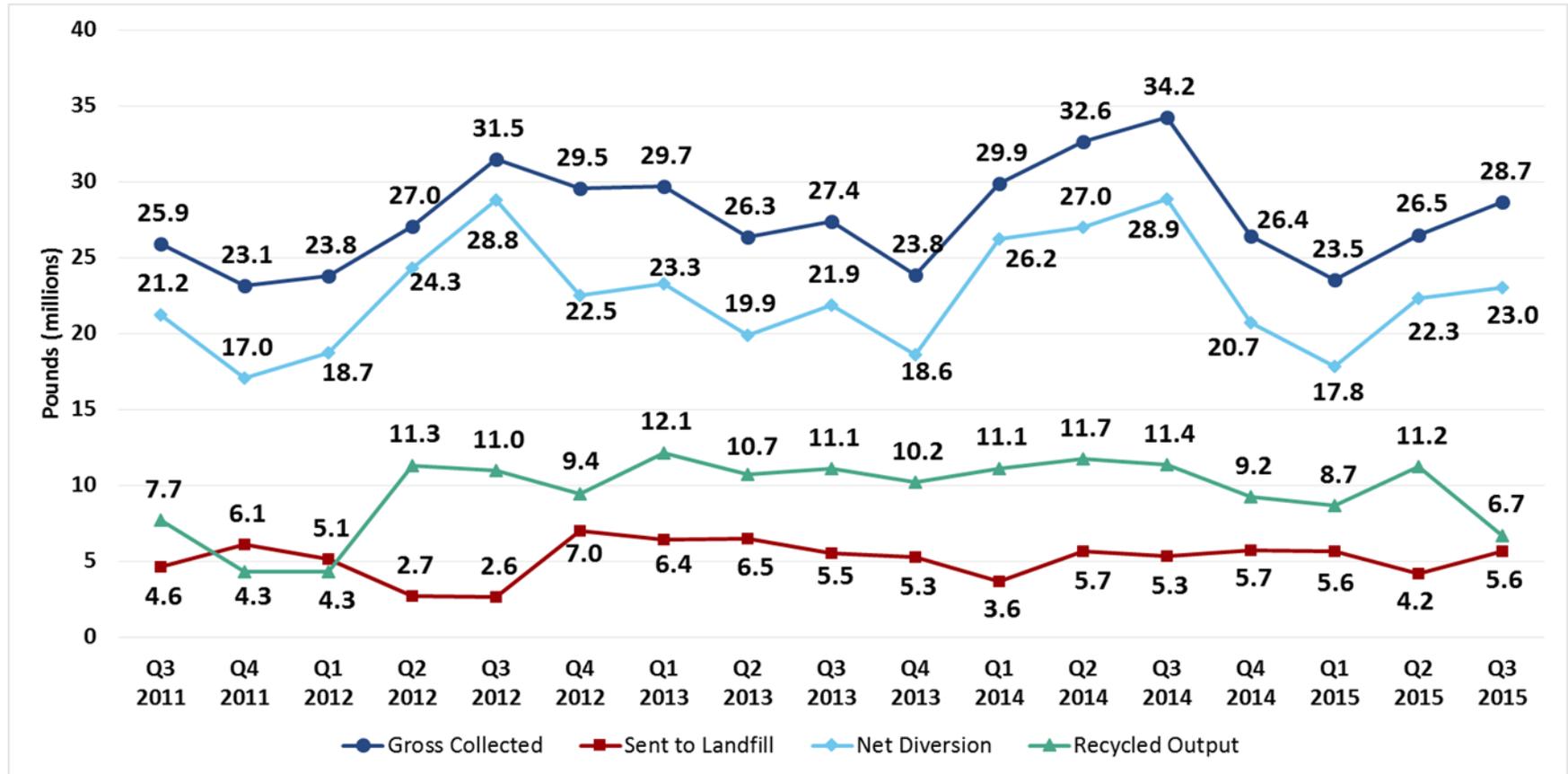


Q3-2015 Gross Collected: 28.7M pounds – 3.8M sent back to landfill  
 Cumulative back to landfill: 85.7M lbs.



\* Percentages 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.

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# AB 2398 Manufacturers/Mills Quarterly Summary Report



# AB 2398 Mill Summary\*

Mills - With Yearly Roll-up							
	2011	2012	2013	2014	Q1 2015	Q2 2015	Q3 2015
# Mills Registered	80	80	79	79	76	77	78
# Mills Not Reporting	0	4	5	1	1	0	0
Non-response Rate	0%	5%	6%	1%	1%	0%	1%
Remittance Collected							
Total Sq Yd Sold (millions)	50.1	98.5	100.5	98.9	22.9	25.2	26.4
Total Remittances (\$M)	\$ 2.53	\$ 4.91	\$ 5.05	\$ 4.95	\$ 1.16	\$ 2.52	\$ 2.64
Top 10 Remittances (>\$10K)	\$ 2.33	\$ 4.55	\$ 4.65	\$ 4.49	\$ 1.06	\$ 2.31	\$ 2.43
Top 10 Percentage of Total ( <b>Avg</b> )	92%	93%	92%	91%	91%	92%	92%

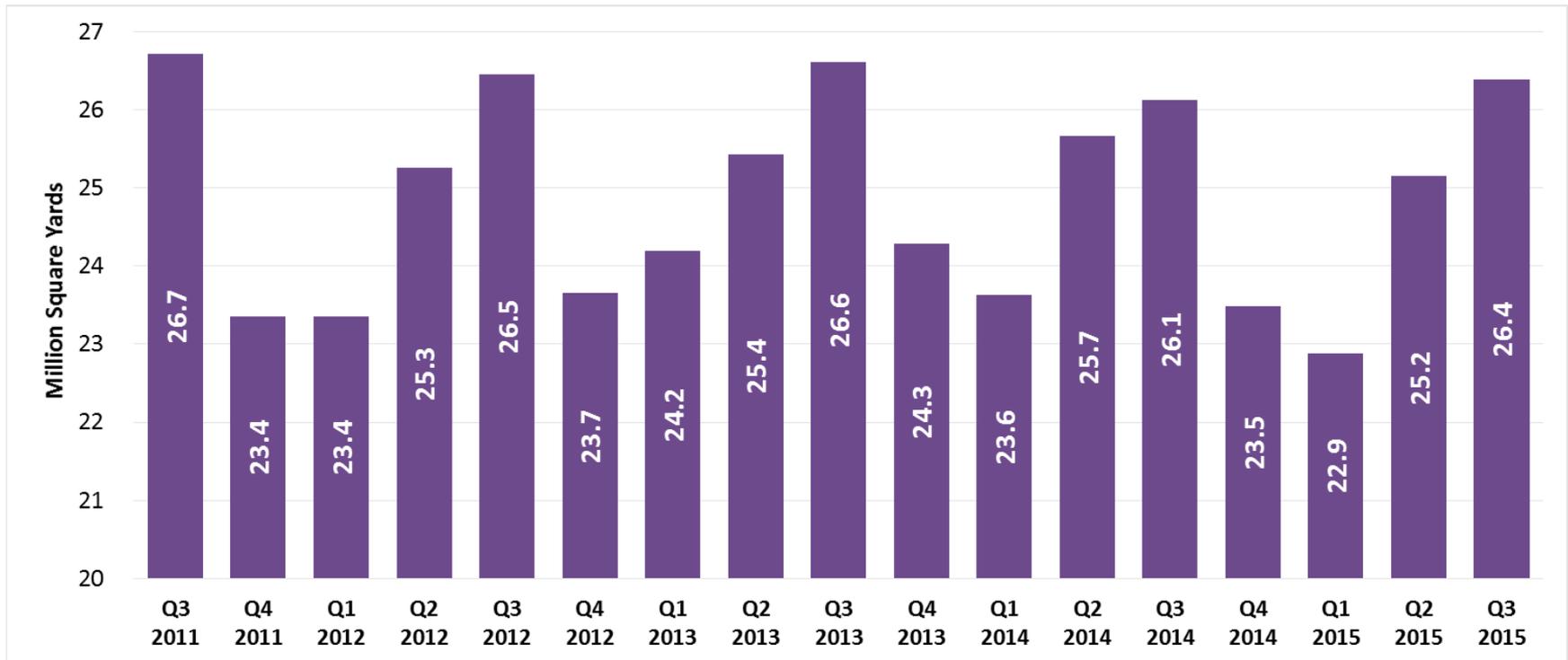
Cumulative SQYD sold: 422.4M

Cumulative Remittances: \$23.74M

\*One new mill joined the Program in Q3-2015; Best Carpet Values



# Total CA Sales (Square Yards)



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# AB 2398 Processors Quarterly Report



# Growth Bonus Summary

Existing (TIER 1, Type 1) Growth Incentive – *established Q2-2013*

<b>Tier 1 Growth Incentive Contributions (\$0.10/lb.)</b>	
Total Type 1 Pounds for Quarter	6,668,130
Target Pounds for Growth Incentive	11,000,000
Over (Under) Target	(4,331,870)
<b>Total Growth Incentive Pool</b>	<b>\$ -</b>

Existing (TIER 2, Non-Nylon) Growth Incentive – *established Q2-2015*

<b>TIER 2 Growth Incentive Contributions (\$0.10/lb.)</b>	
Total Non-Nylon Pounds for Quarter	3,030,486
Target Pounds for Growth Incentive	2,000,000
Over (Under) Target	1,030,486
<b>Total Growth Incentive Pool</b>	<b>\$ 103,048.60</b>



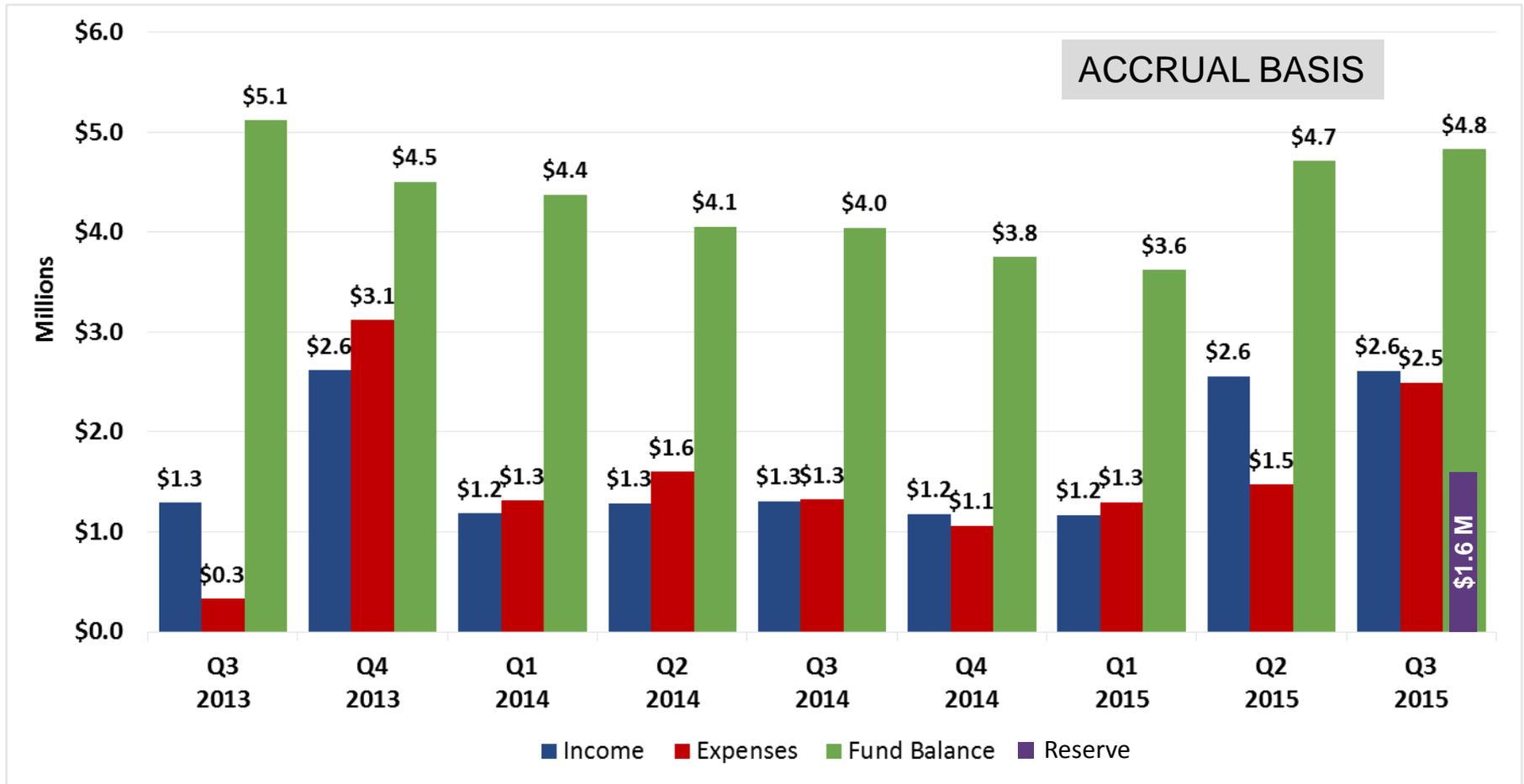
# Summary of Payouts\*

\* Moisture correction applied

CSEs	
CSE Reporting Incentive (\$1,000)	\$ 8,000.00
Tile REUSE (\$0.10/lb)	\$ 560.00
Broadloom REUSE (\$0.10/lb)	\$ -
Whole Carpet Shipped and Sold for recycling (CSEs) <i>NEW Q3-2015 = \$0.02/lb</i>	\$ 31,497.02
Whole Carpet Shipped and Sold for recycling (Processors) <i>NEW Q3-2015 = \$0.02/lb</i>	\$ 228,980.48
<b>Total CSE Payouts</b>	<b>\$ 269,037.50</b>
Processors	
Tile REUSE (\$0.10/lb)	\$ 21,391.80
Broadloom REUSE (\$0.10/lb)	\$ -
<b>Total Reuse Payout</b>	<b>\$ 21,391.80</b>
Tile RECYCLED (\$0.10/lb)	\$ 39,363.11
Type 1 Standard Payout (\$0.10/lb)	\$ 615,503.62
Type 1 Growth Bonus Payout (\$0.10/lb >11M lbs)	\$ -
<b>Total Type 1 Payout</b>	<b>\$ 654,866.73</b>
Type 2 Filler/Other (\$0.03/lb)	\$ -
Calcium Carbonate (\$0.17/lb)	\$ 3,507.10
Type 2 CAAF (\$0.03/lb)	\$ -
Type 2 Kiln (\$0.03/lb)	\$ 59,253.25
<b>Total Type 2 Payout</b>	<b>\$ 62,760.35</b>
<b>Total Processor Payouts</b>	<b>\$ 739,018.89</b>
Manufacturers	
Non-nylon Standard Payout ( <i>\$0.25/lb</i> )	\$ 757,621.50
Growth Bonus Payout (\$0.10/lb >11M lbs)	\$ 103,048.60
<b>Total Manufacturer Payouts</b>	<b>\$ 860,670.10</b>
Total	
<b>Total Subsidy Payouts for Quarter</b>	<b>\$ 1,828,669.47</b>
Expenses	
<b>Total Administrative Expenses</b>	<b>\$ 628,321.00</b>
Grand Total	
<b>Total Payouts</b>	<b>\$ 2,456,990.47</b>



# Fund Balance Trends\*

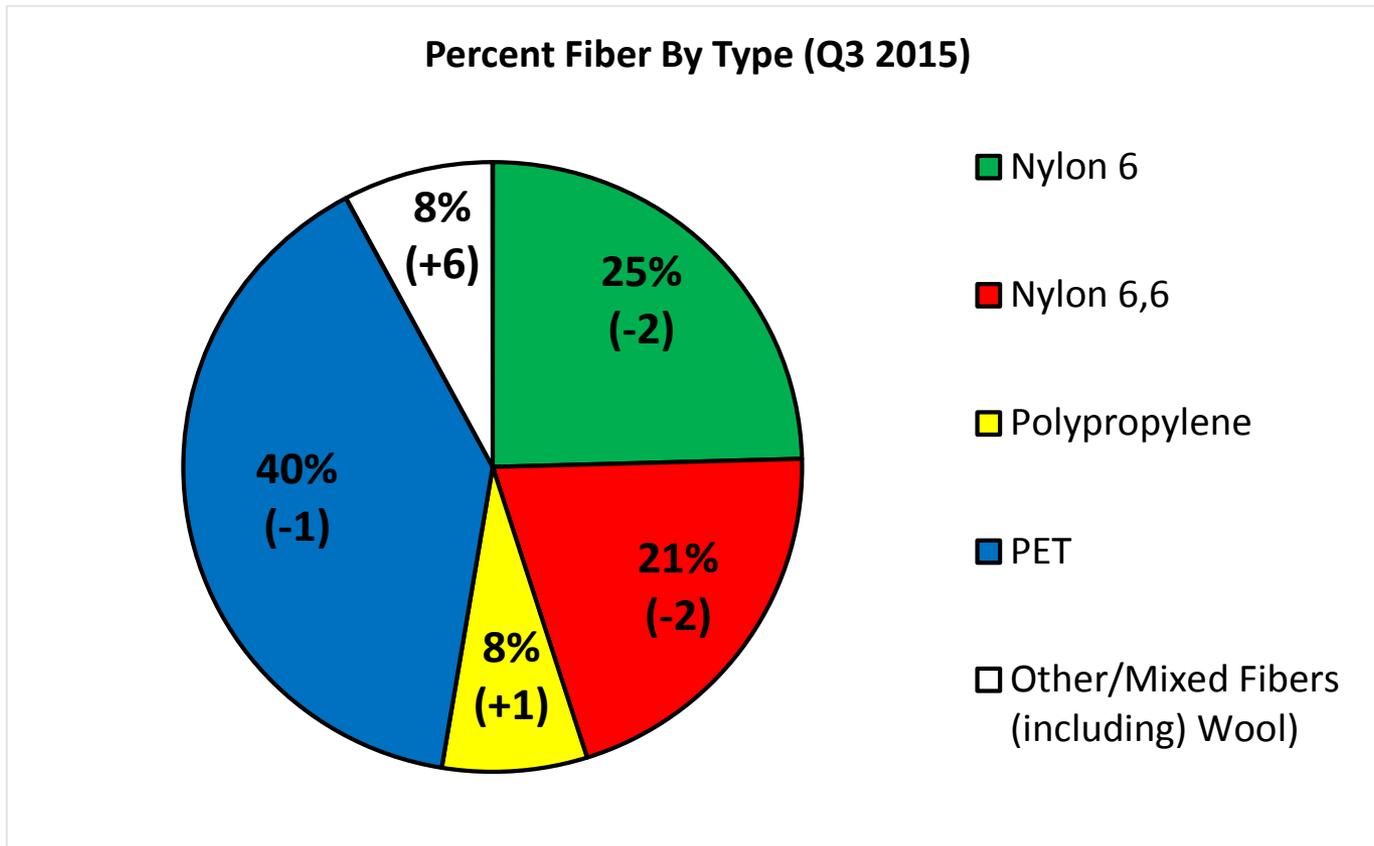


\* Includes CSEs (beginning Q3) Processors + Tier 2 Manufacturers

\*\* Reserve = last 4 quarter payouts divided by 4 to ensure fund availability and stability (effective Q3-2015)



# 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.



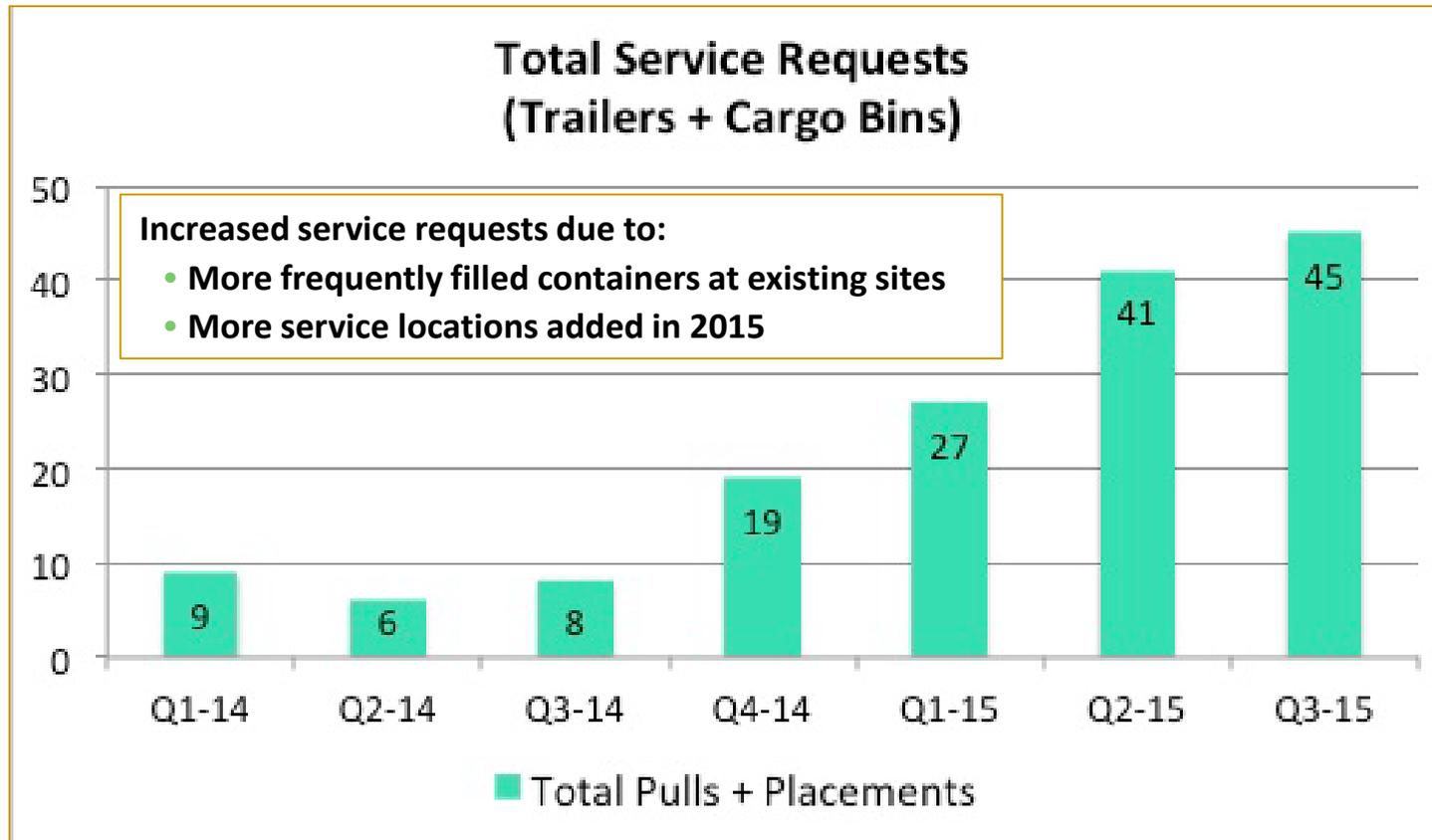
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# AB 2398

## Rural Counties Quarterly Report



# Total Service Requests: Q1 2014-Q3 2015



- ◆ 42 Pulls in 2014; average 3.5 per month
- ◆ 113 Pulls 2015 YTD = average 12.6 per month
- ◆ 2015 Pulls YTD = 269% of 2014 pulls

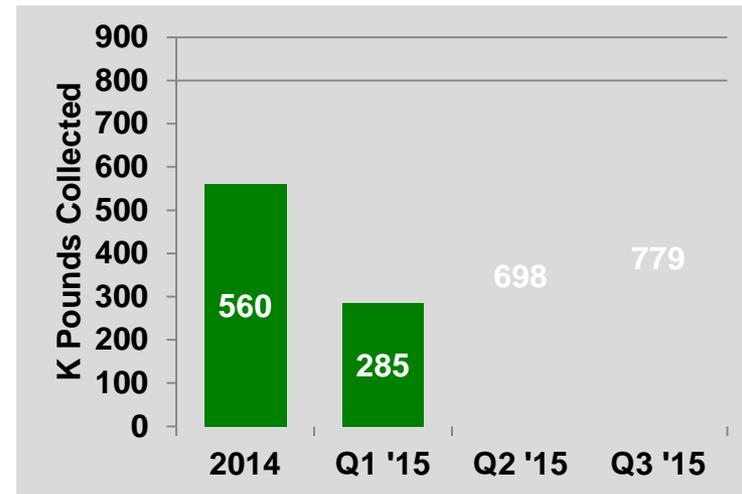


# 2014 & 2015 Data Summary

## 2014 & 2015 Rural Program Data Summary (\$K)

Data Collected	2014	Q1-15	Q2-15	Q3-15	2015 YTD Total
Hauling Cost	\$54	\$45	\$93	\$95	\$233
Storage Cost	\$24	\$10	\$12	\$13	\$35
Cost/Pound of Collection	\$0.14	\$0.20	\$0.15	\$0.14	\$0.16
Cost/Capita	\$0.08	\$0.04	\$0.07	\$0.06	\$0.06
Pounds Collected (K lbs)	560	285	698	779	1,763

- 19 Participating Counties; 21 Collection Sites
- 56% of qualifying Rural Counties at close of Q3
  - Calaveras, Del Norte, Humboldt, Plumas, Siskiyou, Tehama
  - Butte, Trinity, Tuolumne, Santa Cruz, Napa,
  - Lake, Marin, Mendocino, Mariposa, Sutter, Yuba
  - Inyo, Mono



# Audit Information

- One Q2 AUP\* revealed recycler overstated processed output by 65,038 pounds believed due to a clerical error. This equates to an overpayment of \$11,056. ACTION: Overpayment will be deducted from November payout. Processor is aware and agrees.
- Not considered material impact (<1%)

\* Report received Monday, December 2<sup>nd</sup>



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# Recommendations to SFOC



# Recommendations\* for SFOC Approval

- 1) Approve CSE subsidy Q3 (\$40.1K)
- 2) Approve Processor subsidy Q3 (\$968.0K)
- 3) Approve Manufacturer subsidy Q3 (\$860.7K)
- 4) Approve Administrative reimbursements Q3 (\$628.3K)

*Total Payout Q3: \$2,497K*

Addendum #3 was submitted to CalRecycle on schedule,  
Monday, November 30, 2015

*\* Payouts up despite drop in output pounds: DONE RETROACTIVELY TO ASSIST THE HEALTH OF THE RECYCLING INDUSTRY.*



# End of Review

