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# CARE Sustainable Funding Oversight Committee

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Q2 2016 AB 2398 Summary &  
Recommendations for Approval



# Agenda

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



# CARE's Executive Director's Message

Second quarter results indicate progress continues in the right direction with continuous growth in both gross collections and recycled output. The subsidy changes made and grant programs initiated in October 2015 are beginning to manifest and expected to accelerate in Q3 & Q4 as new capacity and products come on line, both for polymers and backing materials. We are pleased to acknowledge a new Processor, CLEAR, is now operational in NoCal. It should be noted that PET, as expected, is a key driver for recycled output growth due to the subsidy changes implemented.

Our new Double-Green product concept is gaining early traction with new products which contain both post-consumer carpet and another post-consumer recycled material – in this case rubber. Last quarter I stated it will take several months of product development and testing before we know if these new products will be commercially viable and it looks like we are right on track.

CARE achieved its objective to hold face to face visits with 50% of all CA-based carpet retailer visits by the end of 2016 ahead of schedule. The objective was met in July and efforts are now turning to the remaining retailers throughout the State and in coordination with new counties coming on line.

CARE's annual audit and annual report were submitted to CalRecycle on July 1<sup>st</sup> and we are awaiting the assessment at the September 20<sup>th</sup> public hearing. Due to the complexity of the market and analytical efforts underway, CARE requested a 60 days extension for submission of the new 5-Year Plan. This request was granted by CalRecycle with a new target date of October 15<sup>th</sup>. CalRecycle will issue their analysis of the new Plan at the December 20<sup>th</sup> meeting.

All stakeholders are encouraged to go to the CARE website, click on the CA tab and sign up for the monthly news letter to stay abreast of the latest developments. [www.carpetrecovery.org](http://www.carpetrecovery.org)

*Bob Peoples, Ph.D., Executive Director, September 12, 2016*

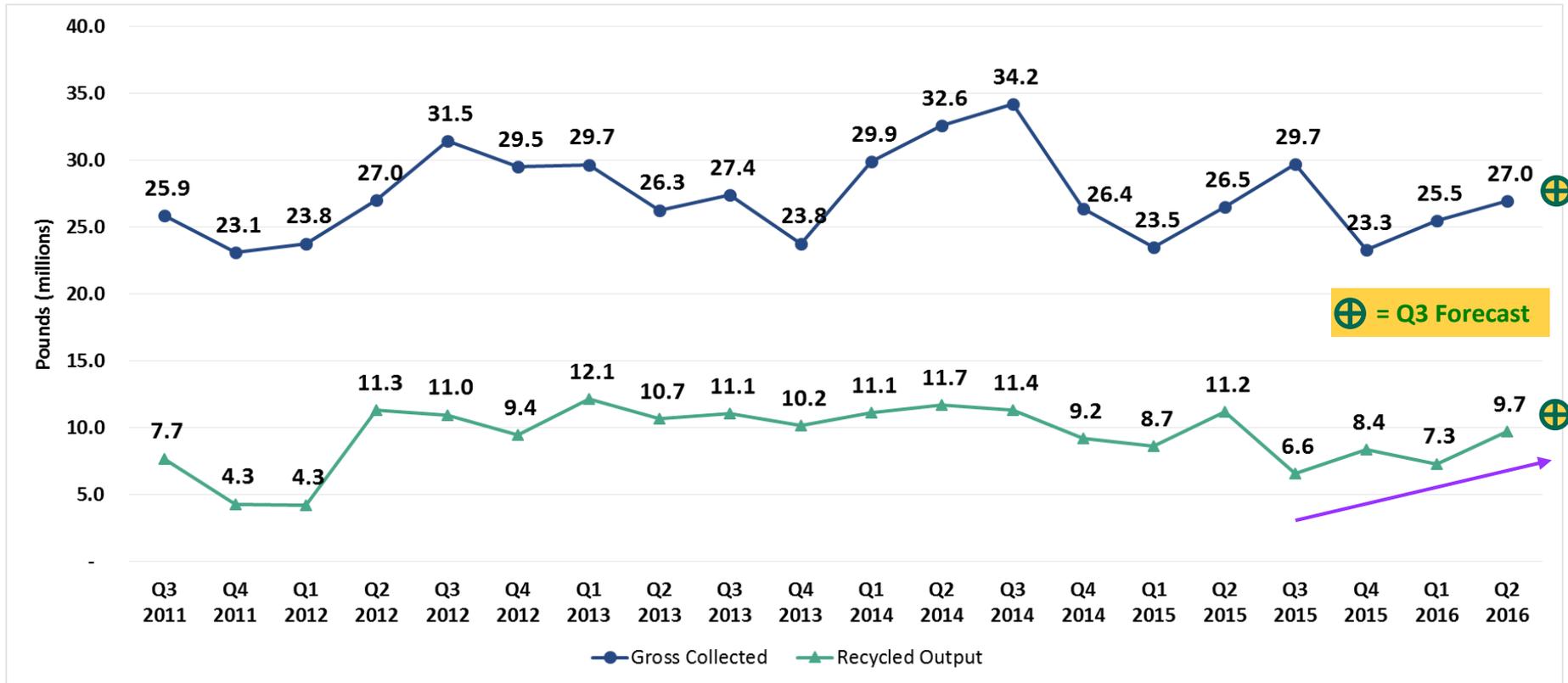


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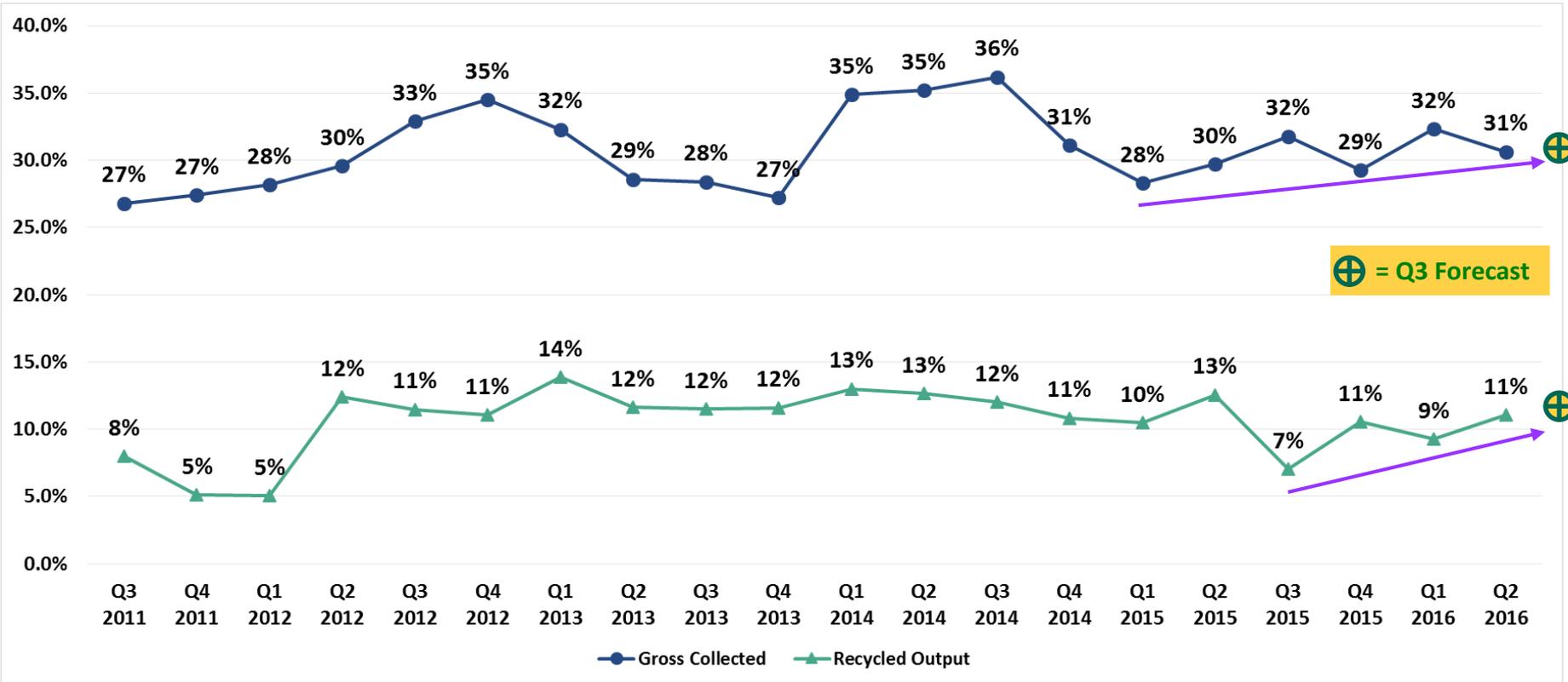
# AB 2398 Summary Results



# AB 2398 Performance Trends (millions of pounds)



# AB 2398 Performance Trends (percentage)

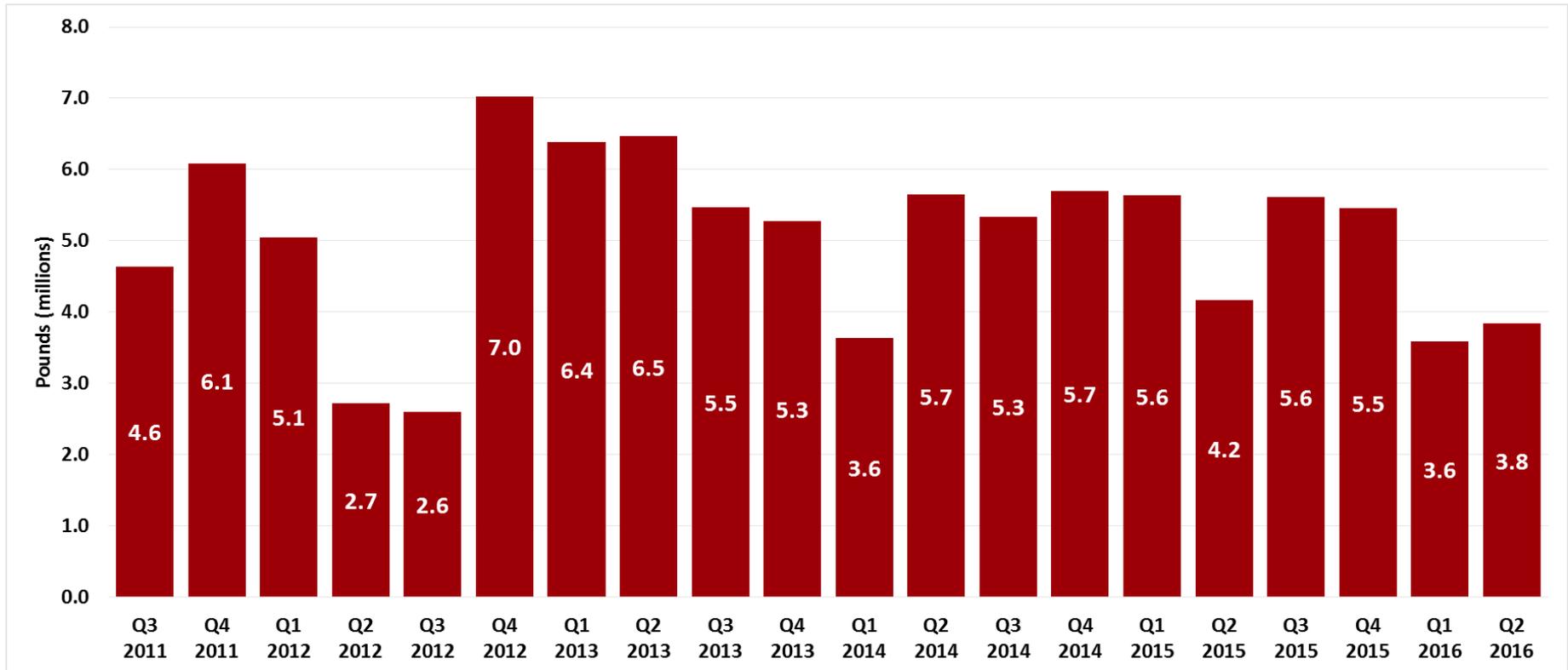


**Beginning Q3-2015, adjustments for water content were applied.**

Beginning Q2-2015, the discards calculation applies updated variables to the discard formula 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 in 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 and 2015 due to increased use of Kiln and new CaCO<sub>3</sub> incentive as of Q2-2015*



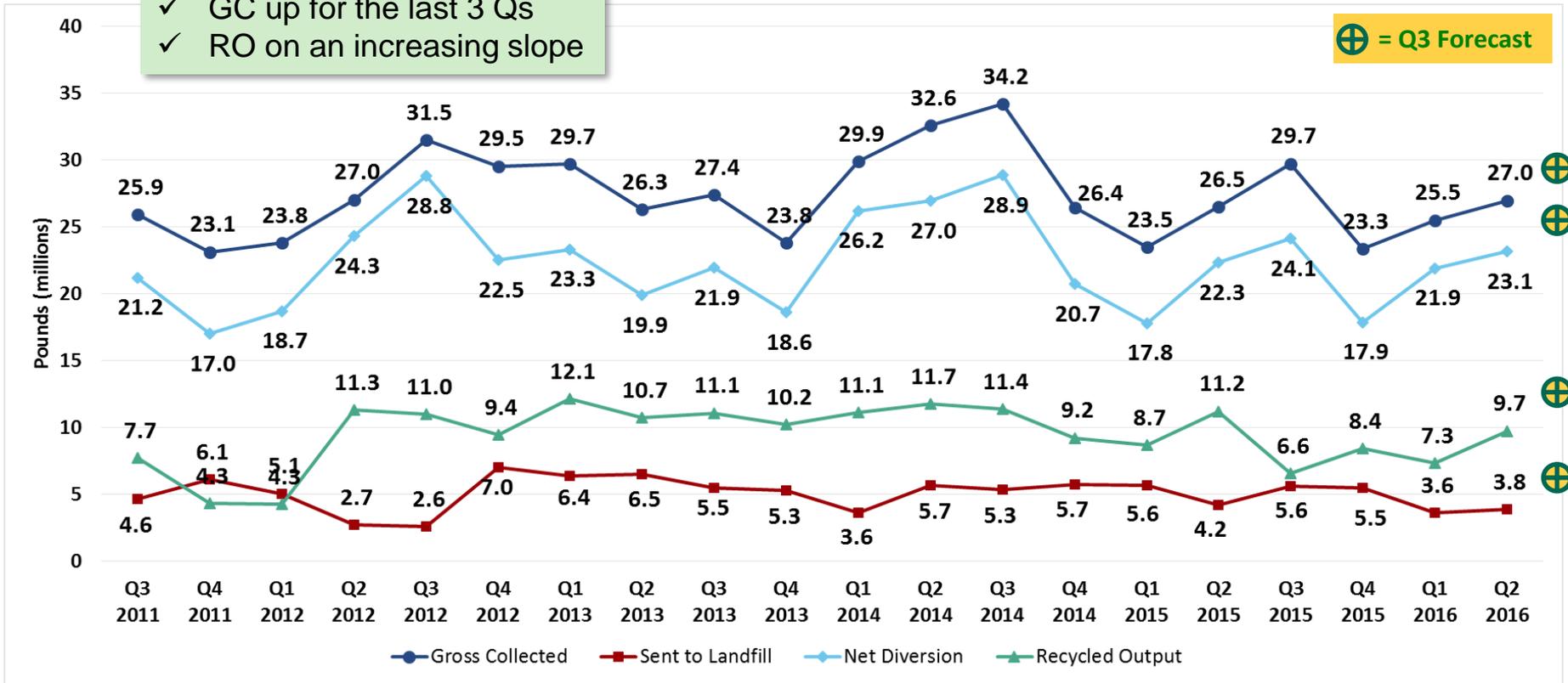
Q2-2016 Gross Collected: 27.0M pounds – 3.8M sent back to landfill  
 Cumulative back to landfill: 100.4M lbs.



\*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

- ✓ Diversion 85% of GC
- ✓ Net Diversion 26%
- ✓ GC up for the last 3 Qs
- ✓ RO on an increasing slope



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



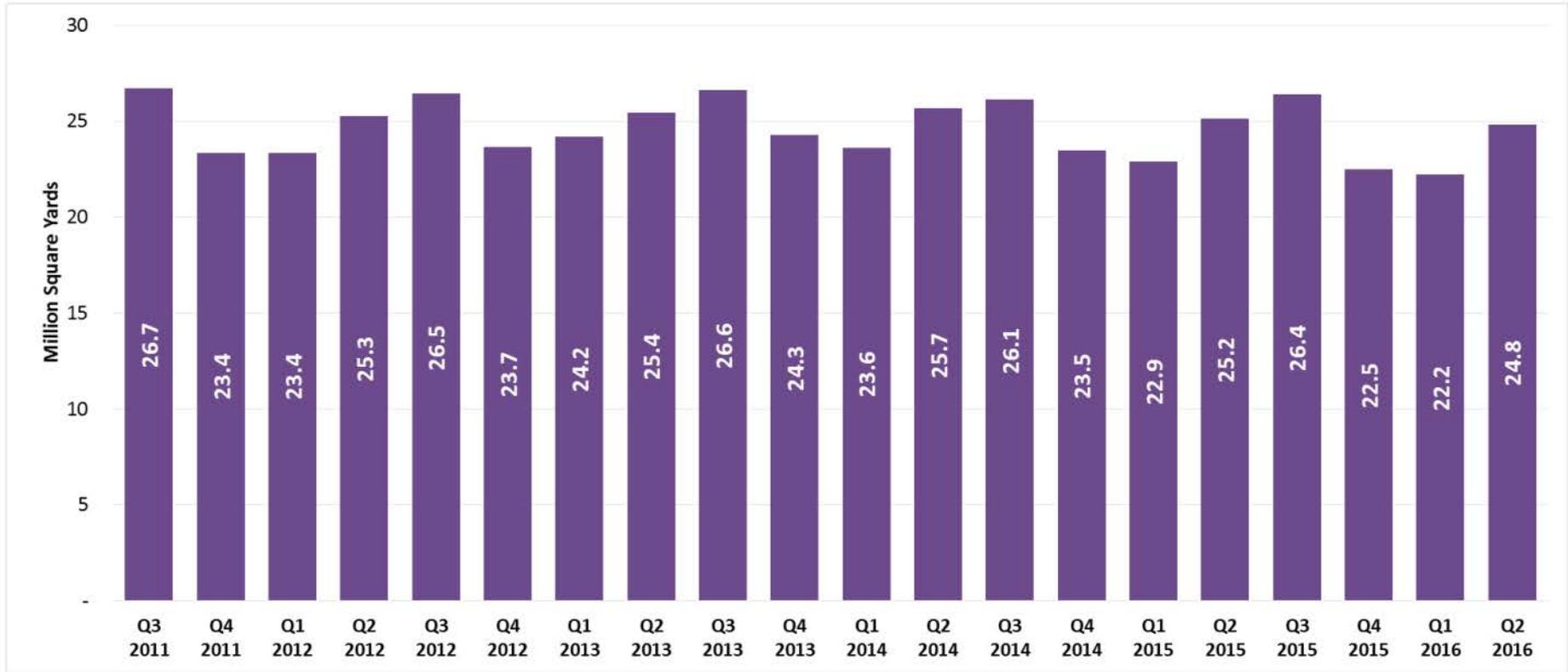
# AB 2398 Mills' Summary

Mills - With Yearly Roll-up							
	2011	2012	2013	2014	2015	Q1 2016	Q2 2016
# Mills Registered	80	80	79	79	78	75	76
# Mills Not Reporting	0	4	5	1	0	0	0
Non-response Rate	0%	5%	6%	1%	0%	0%	0%
Remittance Collected							
Total Sq Yd Sold (millions)	50.1	98.5	100.5	98.9	96.9	22.2	24.8
Total Remittances (\$M)	\$ 2.53	\$ 4.91	\$ 5.05	\$ 4.95	\$ 8.60	\$ 2.23	\$ 4.96
Top 10 Remittances (>\$10K)	\$ 2.33	\$ 4.55	\$ 4.65	\$ 4.49	\$ 7.86	\$ 2.03	\$ 4.56
Top 10 Percentage of Total (Avg)	92%	93%	92%	91%	91%	91%	92%

Cumulative SQYD sold: 491.9M  
 Cumulative Remittances: \$33.21M



# Total CA Sales (Million 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	9,206,537
Target Pounds for Growth Incentive	11,000,000
Over (Under) Target	(1,793,463)
<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 Type 1 Pounds for Quarter	4,935,110
Target Pounds for Growth Incentive	2,000,000
Over (Under) Target	2,935,110
<b>Total Growth Incentive Pool</b>	<b>\$ 293,511.00</b>

# Summary of Payouts Q2 2016

CSEs	
CSE Reporting Incentive	\$ 9,000
Tile REUSE	\$ 9,584
Broadloom REUSE	\$ -
Whole Carpet Shipped and Sold for recycling (CSEs)	\$ 43,864
Whole Carpet Shipped and Sold for recycling (Processors)	\$ 65,789
<b>Total All CSEs Payouts</b>	<b>\$ 128,238</b>
Processors	
Tile REUSE	\$ 2,469
Broadloom REUSE	\$ 18,181
<b>Total Reuse Payout</b>	<b>\$ 20,650</b>
Tile RECYCLED	\$ 8,636
Type 1 Standard Payout	\$ 912,018
Type 1 Growth Bonus Payout	\$ -
<b>Total Type 1 Payout</b>	<b>\$ 920,654</b>
Type 2 Filler/Other	\$ -
Calcium Carbonate	\$ 37,400
Type 2 CAAF	\$ 41
Type 2 Kiln	\$ 20,505
<b>Total Type 2 Payout</b>	<b>\$ 57,946</b>
Adjustments	\$ (4,000)
<b>Total All Processor Payouts</b>	<b>\$ 995,249</b>
Manufacturers	
Non-nylon Payouts	\$ 1,233,778
Growth Bonus Payout	\$ 293,511
Adjustments	\$ (3,000)
<b>Total All Manufacturers Payouts</b>	<b>\$ 1,524,289</b>
Subsidy Payouts	
<b>Total Subsidy Payouts for Quarter</b>	<b>\$ 2,647,776</b>

**Deduction of  
CARE dues**



# Summary of Expenses

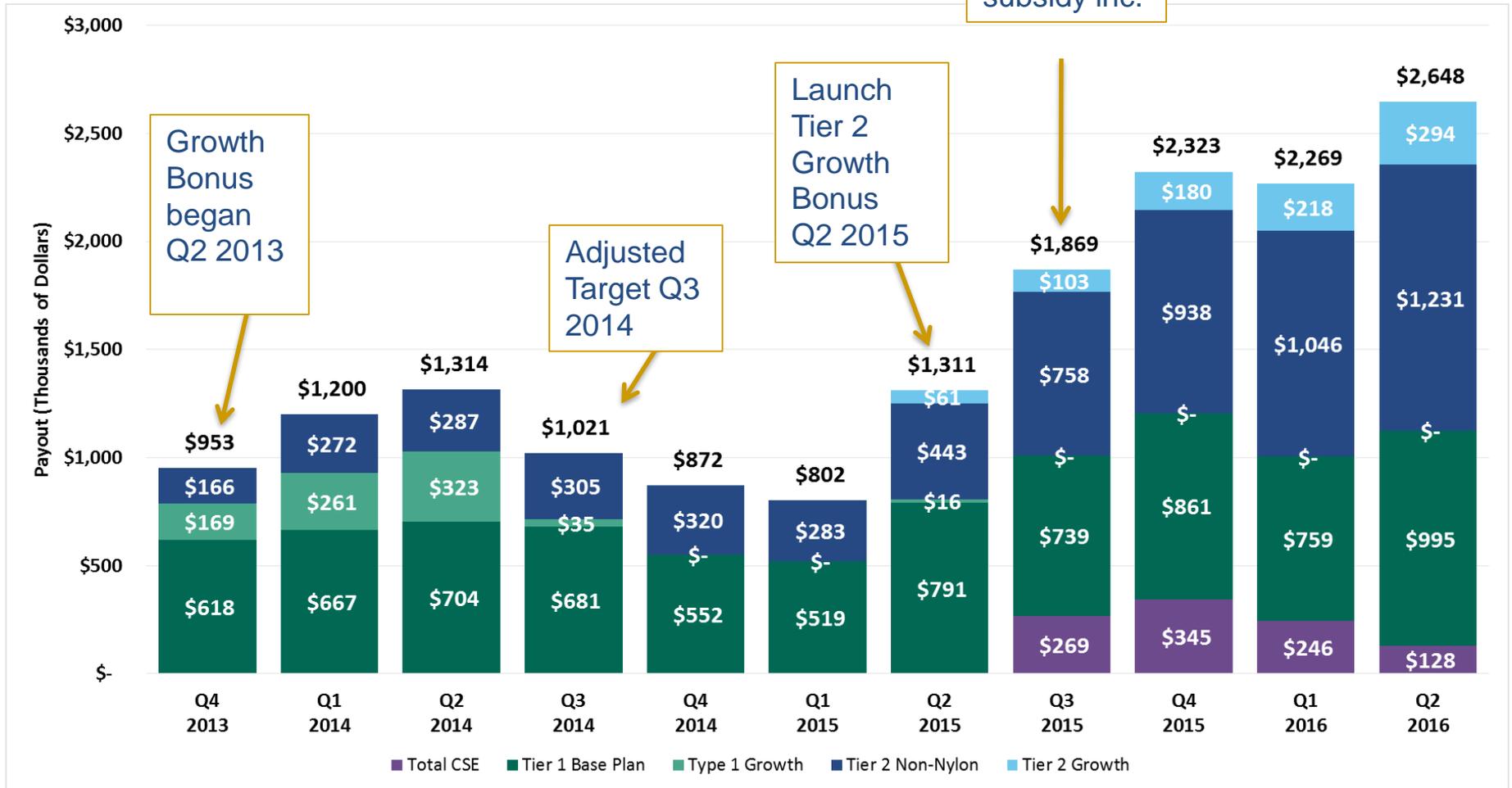
Expenses	Q2 2016	Percentage
Subsidy Payouts	\$ 2,647,776	75%
CalRecycle	\$ -	0%
CARE Administration Cost	\$ 357,937	10%
Education and Outreach	\$ 263,573	7%
Accounting and Legal	\$ 116,216	3%
Collections Program	\$ 142,330	4%
Grants*	\$ (5,720)	0%
<b>Total</b>		
<b>Total Expenses</b>	\$ 3,522,112	100%

\*Reclassified non-grant related expenses (legal fees related to grants)

*All data from Melanie confirmed 9/06/16*

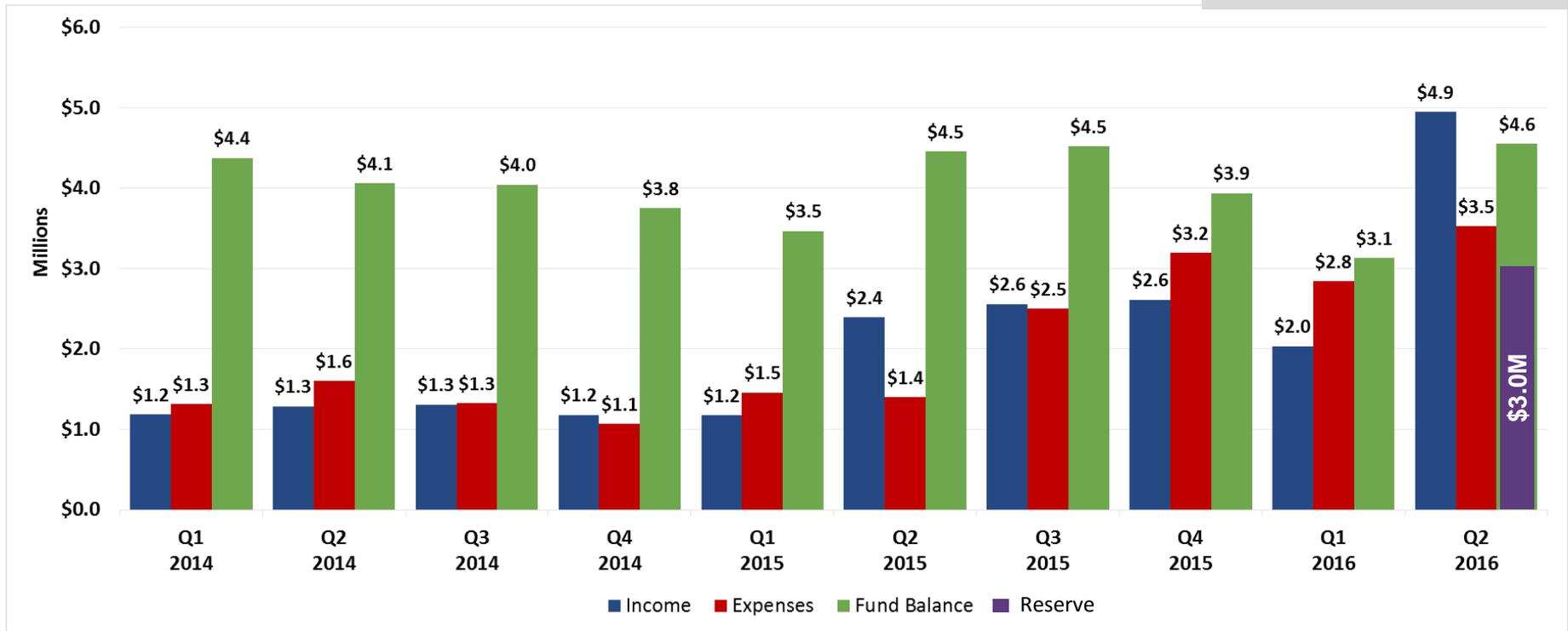


# Payouts Over Time



# Fund Balance Trends\*

ACCRUAL BASIS

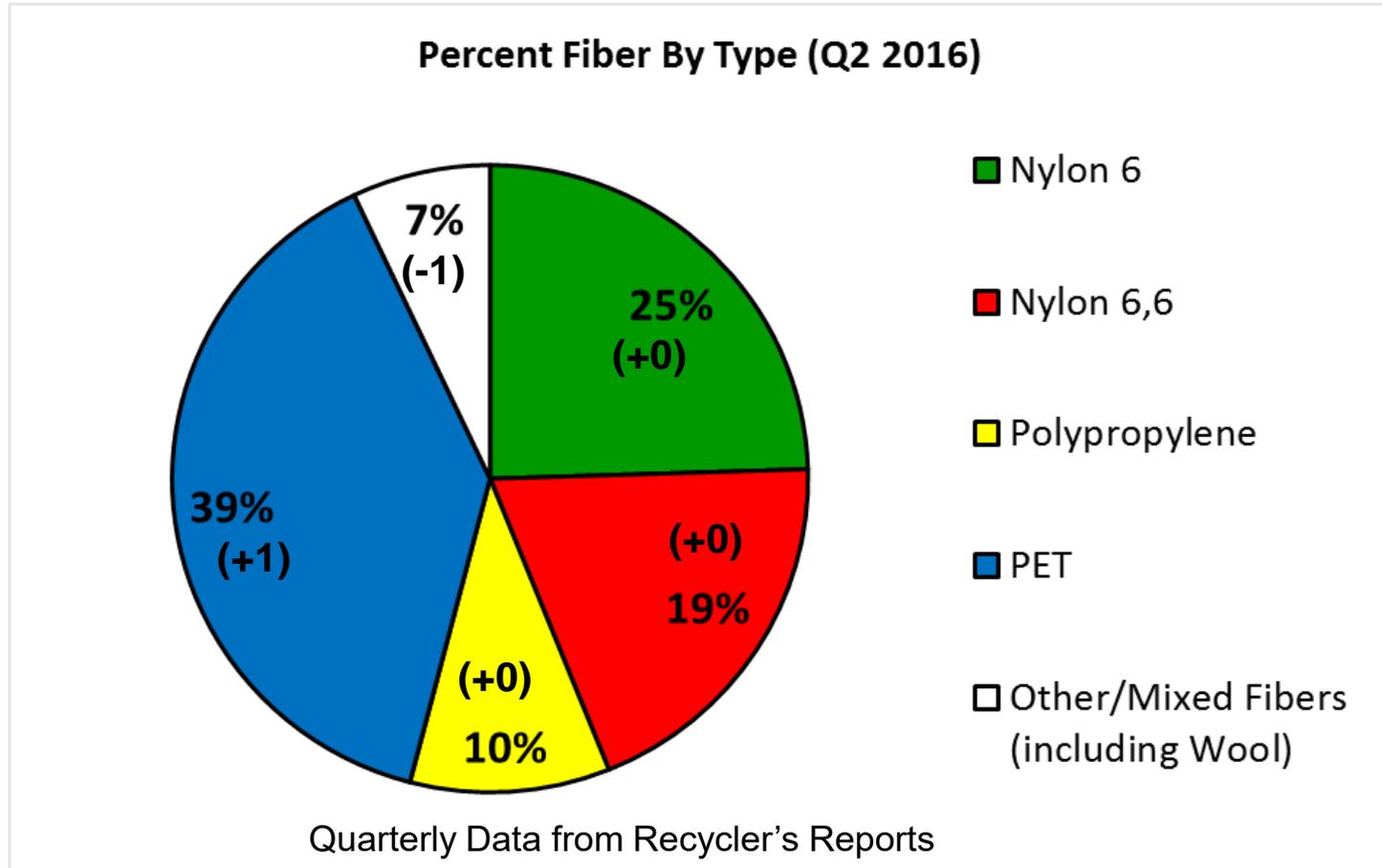


\* Includes CSEs + Processors + Tier 2 Manufacturers

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



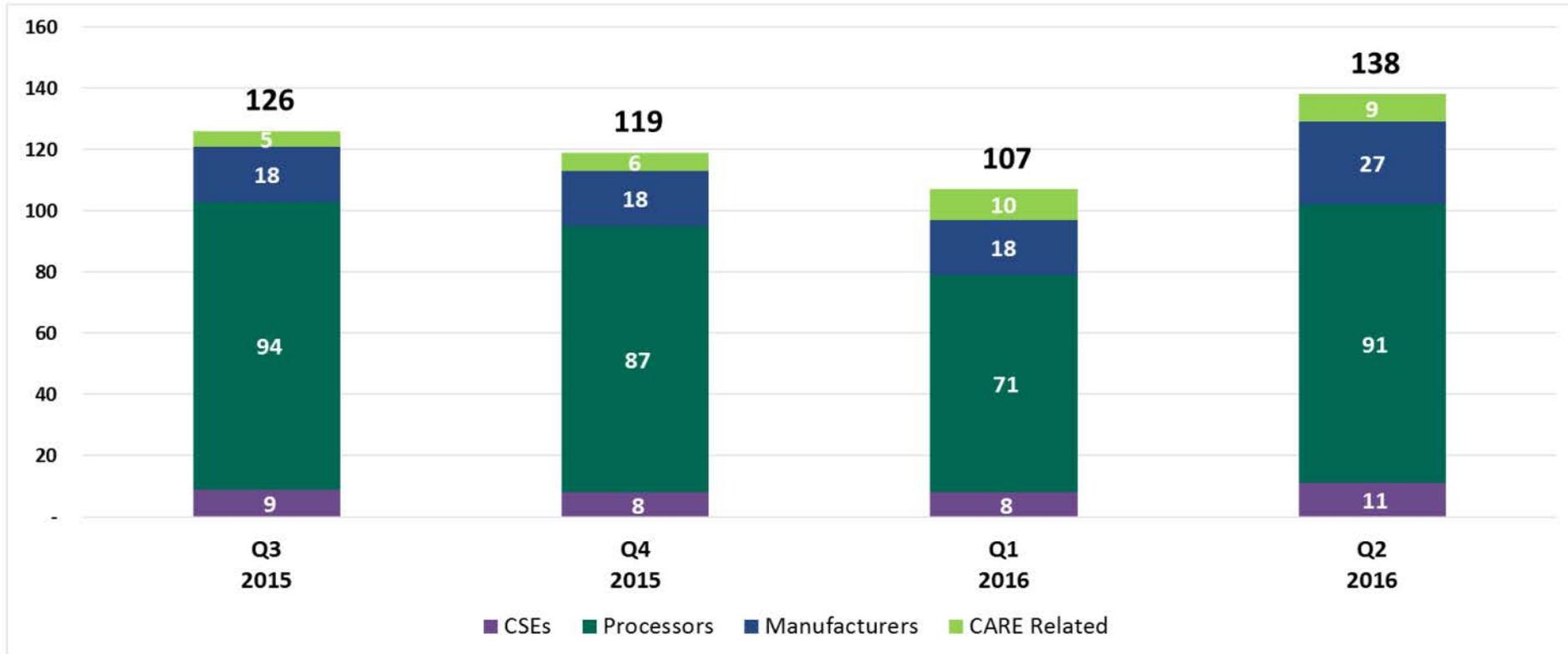
# Quarterly Collection: Face Fiber Breakdown\*



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



# CA Fulltime Equivalents (FTEs)



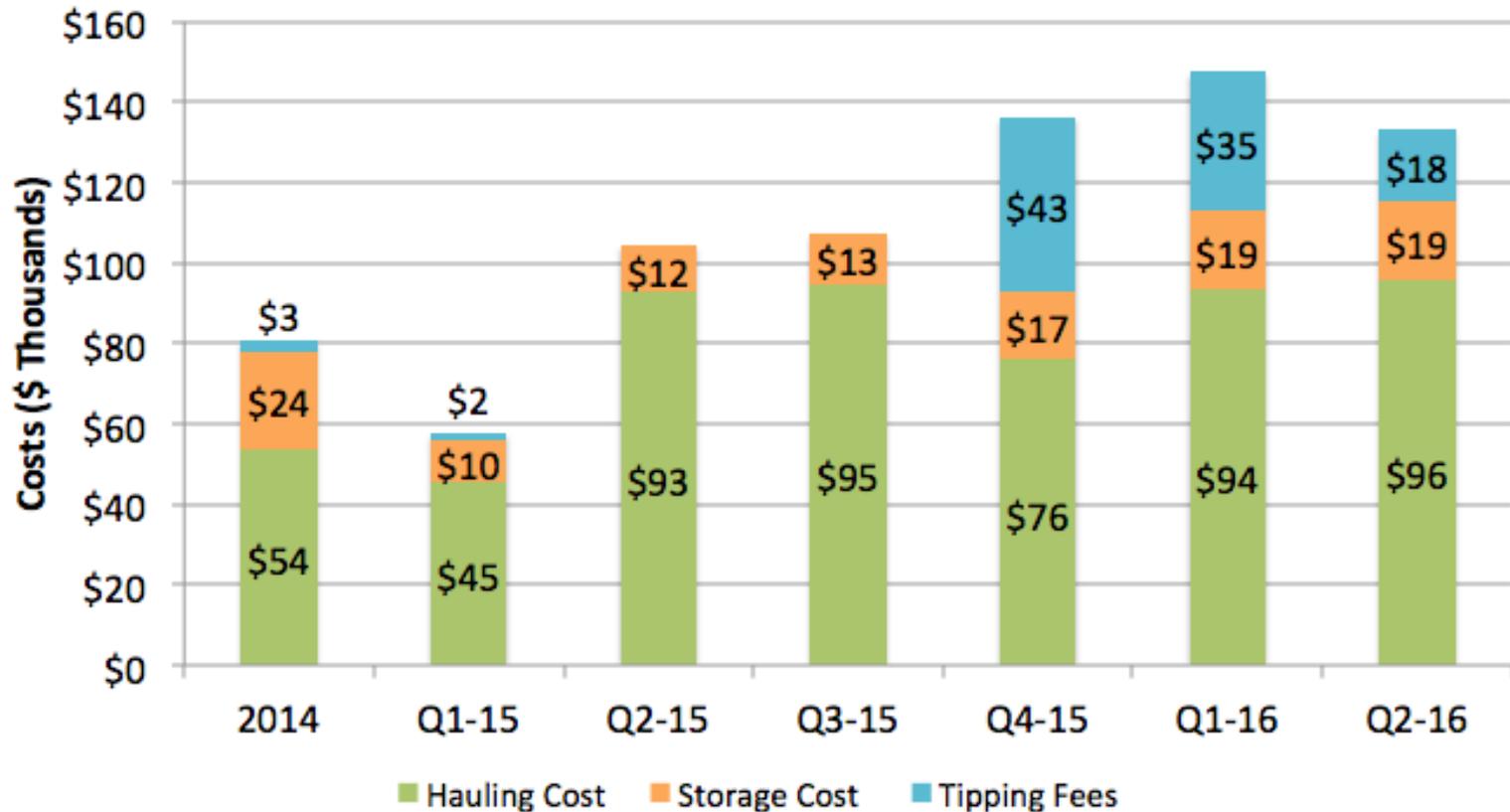
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# Drop-Off Site / Collections Program Update

Q2 2016



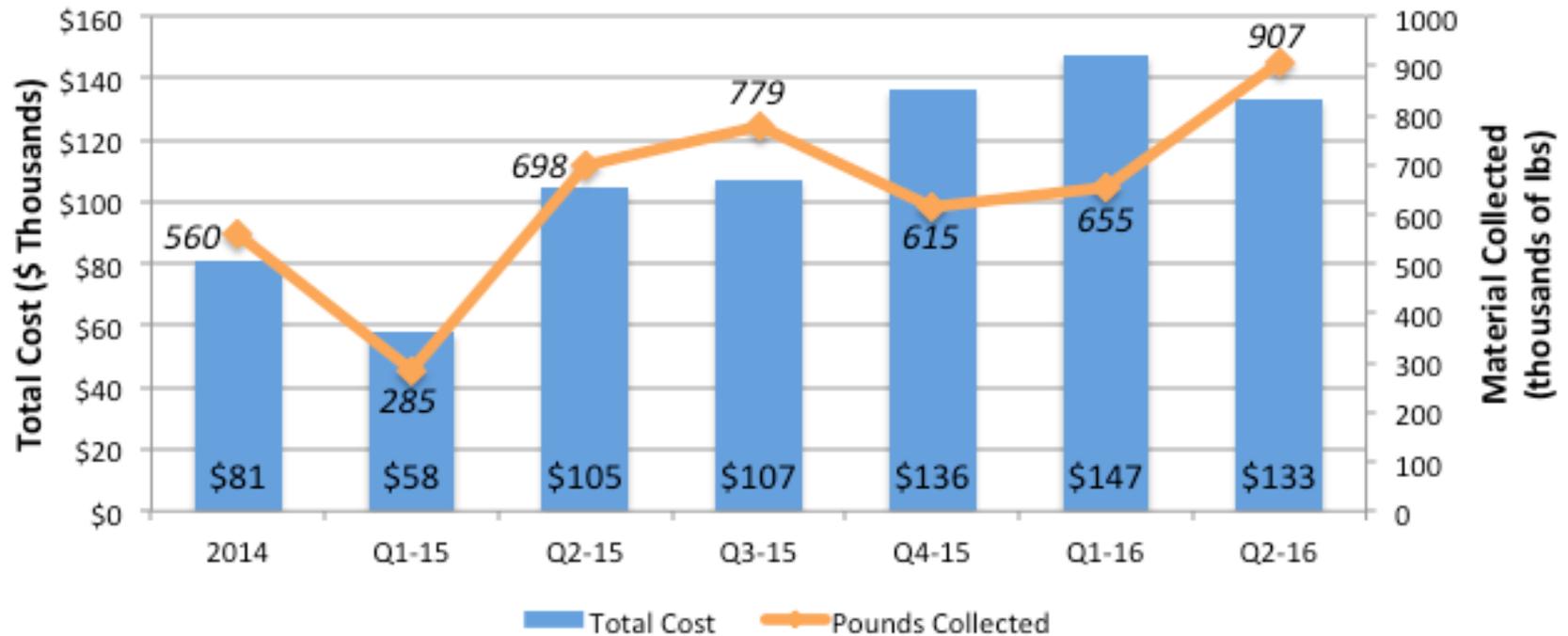
# Program Cost Over Time



- ◆ Percentage of Q2 '16 Total Cost:  
Tipping-Fees=13%; Hauling=72%; Storage=15%



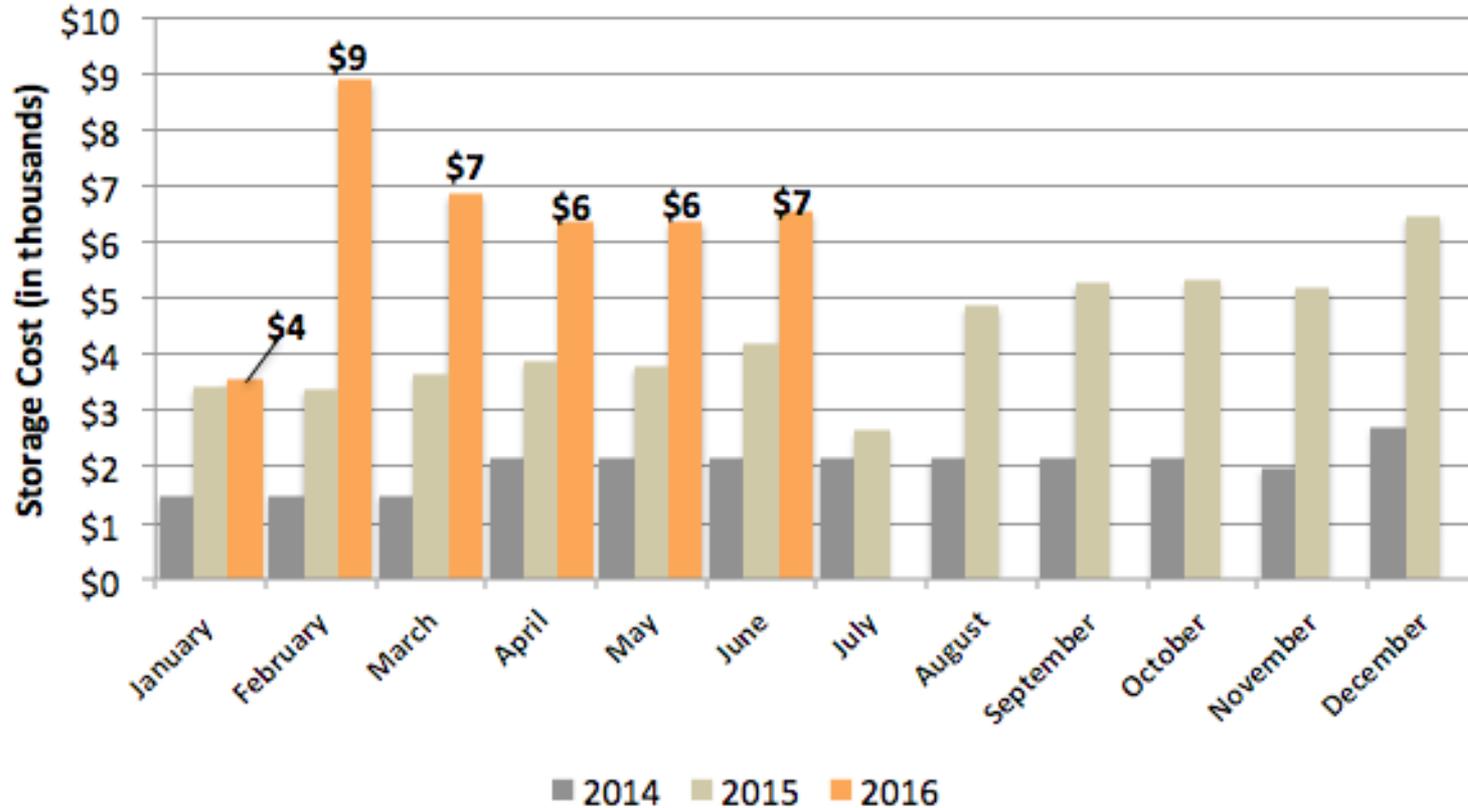
# Pounds Collected Relative to Total Cost\*



- ◆ Q1 '16 Pounds Collected: 27.5% of pounds collected in 2015
  - ◆ Q2 '16 Pounds Collected: 38% of pounds collected in 2015
- \*Total Cost=Hauling+Storage+Tipping Fees



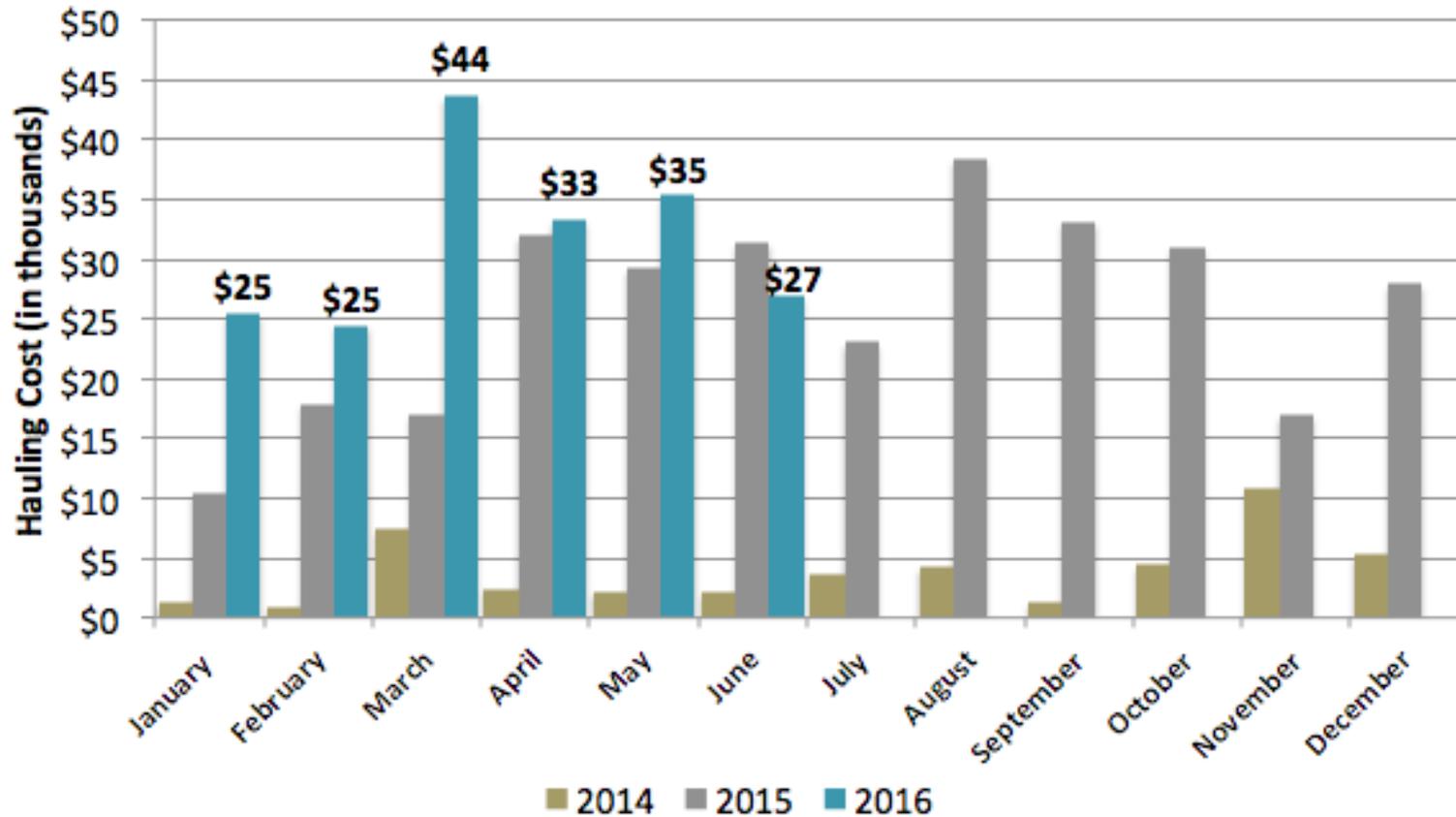
# Storage Cost over Time



◆ Q2 '16 Storage Cost = 37% of 2015 total storage costs



# Hauling Cost Over Time



◆ Q2 '16 Hauling Cost = 31% of 2015 total hauling costs



# 2014-2016 Data Summary

<b>Data Summary (#s in thousands)</b>								
<b>Data Collected</b>	<b>2014</b>	<b>Q1-15</b>	<b>Q2-15</b>	<b>Q3-15</b>	<b>Q4-15</b>	<b>Q1-16</b>	<b>Q2-16</b>	<b>2016 YTD</b>
<b>Hauling Cost</b>	\$54	\$45	\$93	\$95	\$76	\$94	\$96	\$189
<b>Storage Cost</b>	\$24	\$10	\$12	\$13	\$17	\$19	\$19	\$39
<b>Tipping Fees</b>	\$3	\$2	-	-	\$43	\$35	\$18	\$52
<b>TOTAL Cost</b>	\$81	\$58	\$105	\$107	\$136	\$147	\$133	\$281
<b>Cost/lb Collection</b>	\$0.14	\$0.20	\$0.15	\$0.14	\$0.15	\$0.17	\$0.15	\$0.16
<b>Cost/Capita</b>	\$0.08	\$0.04	\$0.07	\$0.06	\$0.03	\$0.03	\$0.01	\$0.02
<b>Pounds Collected (K lbs)</b>	560	285	698	779	615	655	907	1,562

- ◆ 28 Participating Counties; 28 Collection Sites
- ◆ Goal: 42 collection sites by the end of 2016



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# Recommendations to SFOC



# Recommendations for SFOC Approval

- 1) Approve CSE subsidy\* (\$128.2K)
- 2) Approve Processor subsidy\* (\$995.2K)
- 3) Approve Manufacturer subsidy (\$1,524.3K)
- 4) Approve Program & Administrative reimbursements (\$874.3K)

*Total Payout Q2: \$3,522.0K*

*Approved by SFOC 9-15-16*

\* Some Processors also collect and those pounds are counted as CSE pounds. Dollars are tracked in each category respectively.



# End of Review

