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# CARE Sustainable Funding Oversight Committee

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**Q4 2015** AB 2398 Summary &  
Recommendations for Approval

*Updated 3/10/16 v9*



# Agenda

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



# CARE's Executive Director's Message

Fourth quarter results showed the normal seasonal decline in gross collections **driven by the lowest level of sales of new carpet since the program began**. Recycled output increased vs Q3. Downward pricing and demand pressures continue to plague all recycle sectors. However, the aggressive increased subsidies implemented retroactively beginning in Q3 are starting to gain traction. While nylon markets remain very soft, interest in PET has picked up and pounds are beginning to flow. In addition, the 17 cents per pound incentive on calcium carbonate has generated a flurry of interest. It will take several months of product development and testing before we know if these new products will be commercialized. The increased subsidies and implementation of the new grant program justified the need for an increase in the assessment which will go to 20 cents per square yard effective April 1<sup>st</sup>.

As part of our education and outreach efforts, CARE continues to bring new counties on line. Face to face retailer visits now exceed 400 to date providing a package of materials, sharing important program information, and seeking front line feedback from those selling carpet in the State. CARE is working to bring the full suite of initiatives approved in Addendum #3 on line. At the same time we are beginning the process of compiling the 2015 annual report due by July 1<sup>st</sup> and development of the 2017 five year Plan.

One of the biggest developments is launch of the California Council on Carpet Recycling (Council). A full report on the Council will appear in the Q1 2016 review.

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)



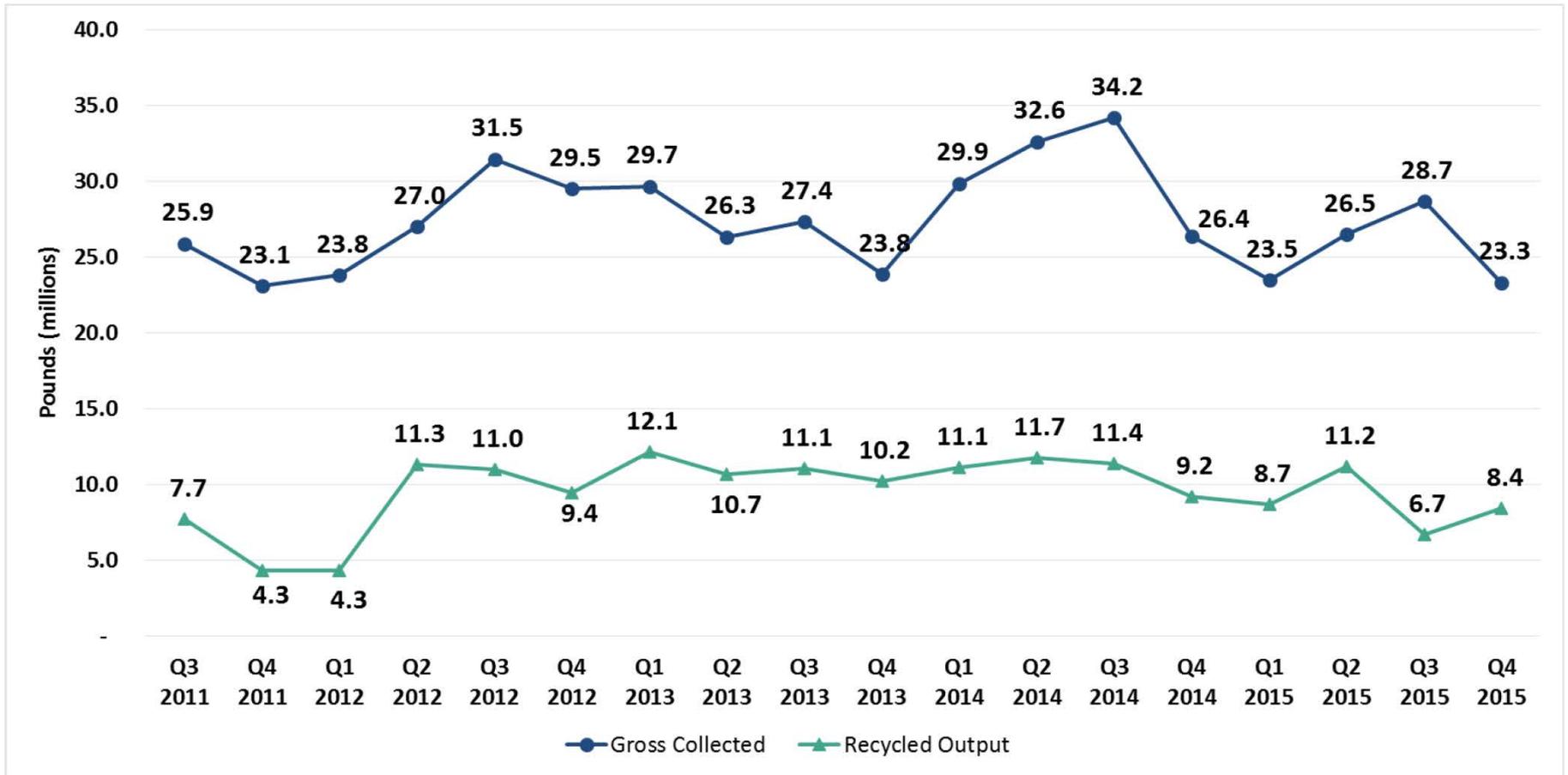
*Bob Peoples, Ph.D., Executive Director, March 10, 2016*

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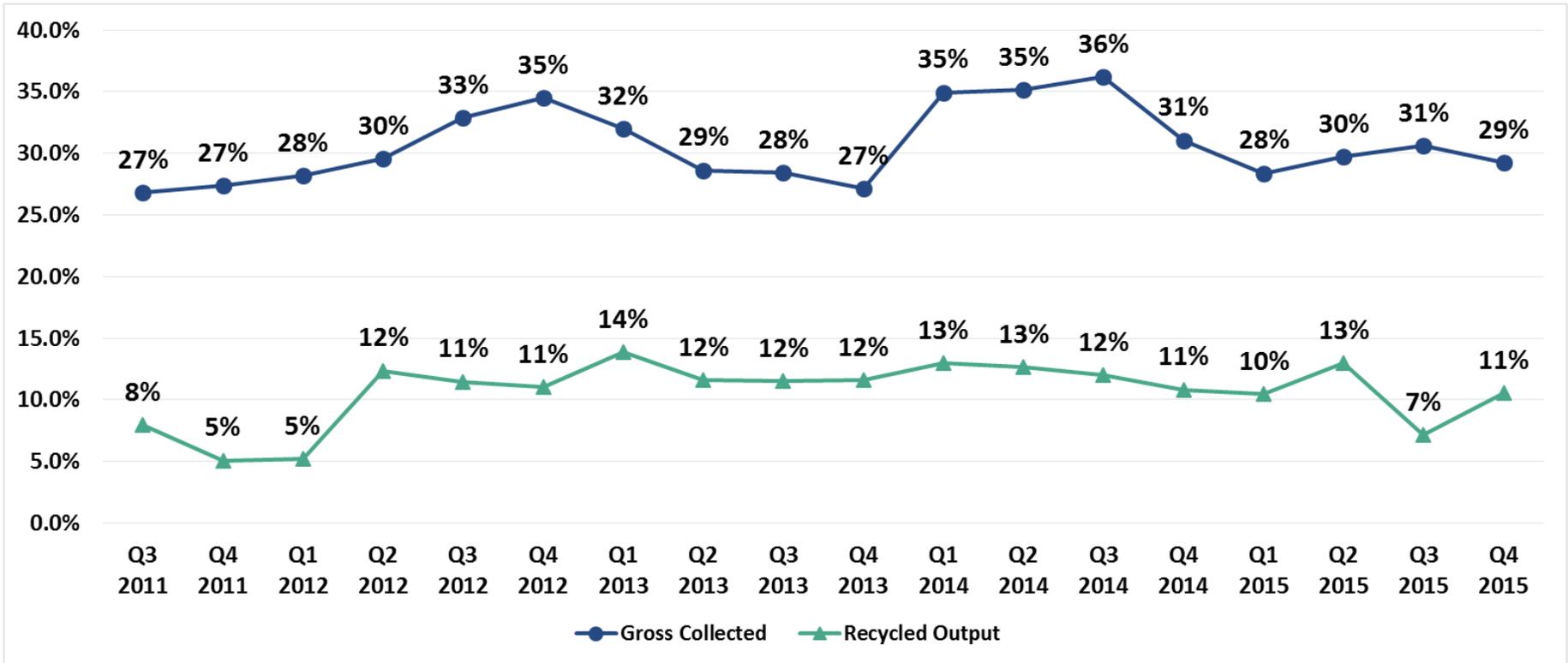
# AB 2398 Summary Results



# AB 2398 Performance Trends (millions of pounds)



# AB 2398 Performance Trends (percentage)



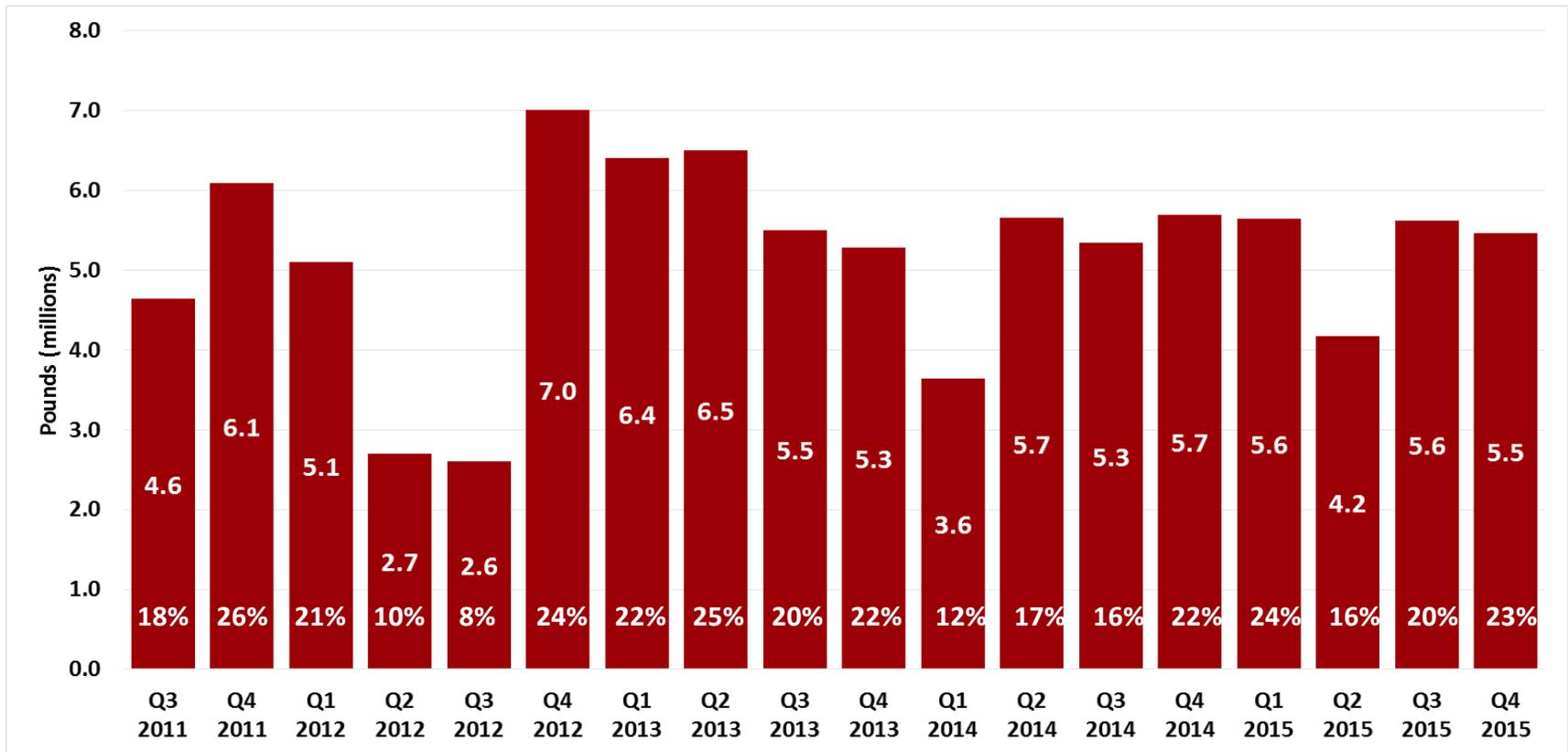
**Beginning Q3-2015, adjustments for water content will be applied as appropriate.**

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*

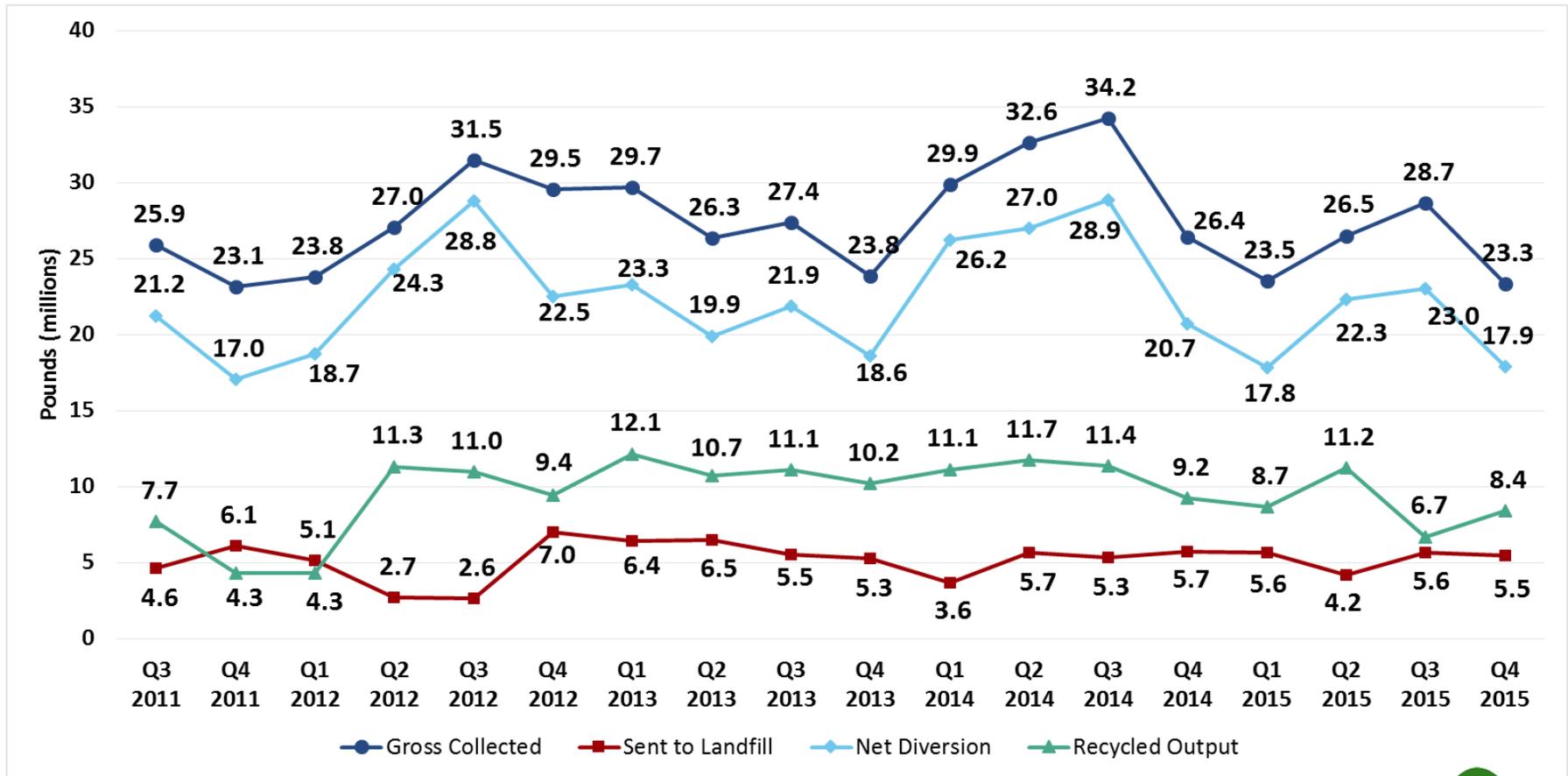


Q4-2015 Gross Collected: 23.3M pounds – 5.5M sent back to landfill  
 Cumulative back to landfill: 93.0M lbs.



\* 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 Mills' Summary\*

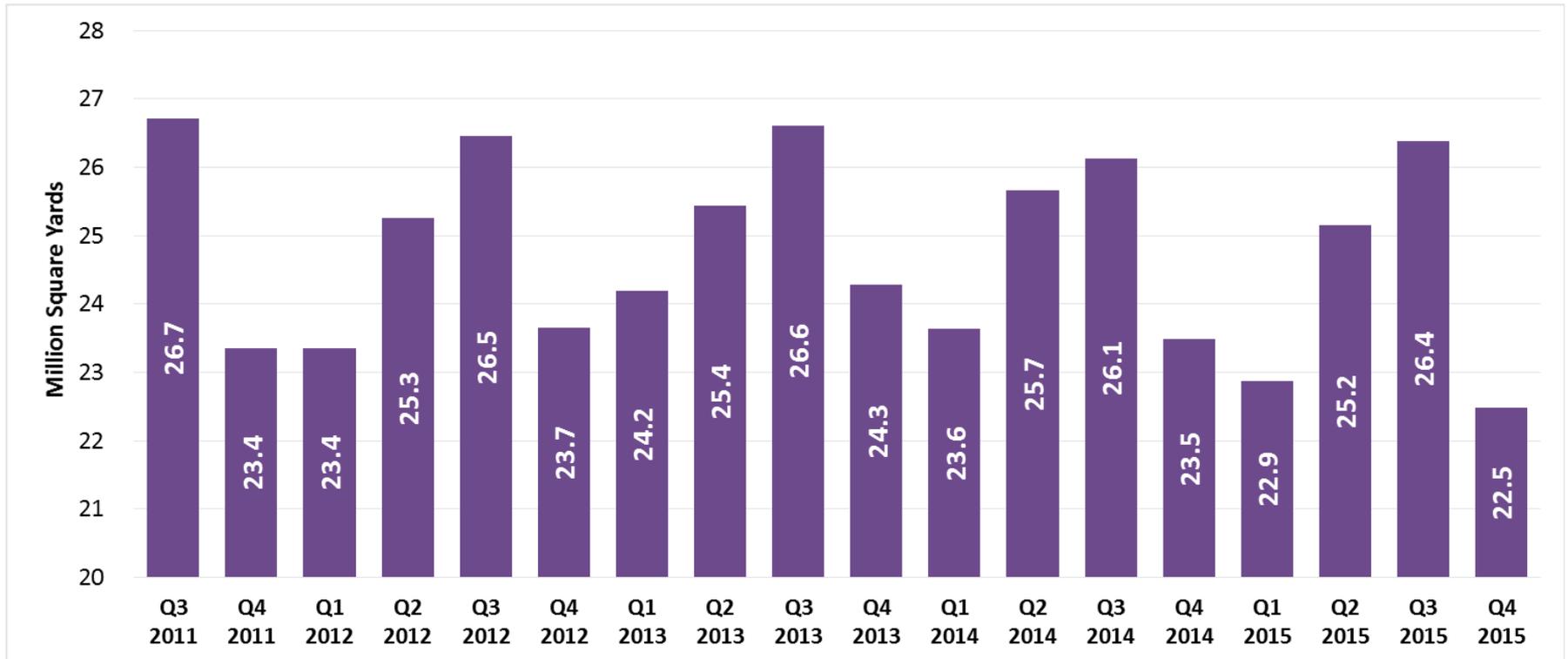
Mills - With Yearly Roll-up									
	2011	2012	2013	2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015 Total
# Mills Registered	80	80	79	79	76	77	78	78	78
# Mills Not Reporting	0	4	5	1	1	0	1	0	0
Non-response Rate	0%	5%	6%	1%	1%	0%	1%	0%	0%
Remittance Collected									
Total Sq Yd Sold (millions)	50.1	98.5	100.5	98.9	22.9	25.2	26.4	22.5	96.9
Total Remittances (\$M)	\$ 2.53	\$ 4.91	\$ 5.05	\$ 4.95	\$ 1.16	\$ 2.52	\$ 2.64	\$ 2.29	\$ 8.60
Top 10 Remittances (>\$10K)	\$ 2.33	\$ 4.55	\$ 4.65	\$ 4.49	\$ 1.06	\$ 2.31	\$ 2.43	\$ 2.06	\$ 7.86
Top 10 Percentage of Total (Avg)	92%	93%	92%		91%	92%	92%	90%	91%

Cumulative SQYD sold: 444.9M

Cumulative Remittances: \$26.02M



# 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	8,396,828
Target Pounds for Growth Incentive	11,000,000
Over (Under) Target	(2,603,172)
<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	3,795,618
Target Pounds for Growth Incentive	2,000,000
Over (Under) Target	1,795,618
<b>Total Growth Incentive Pool</b>	<b>\$ 179,562</b>

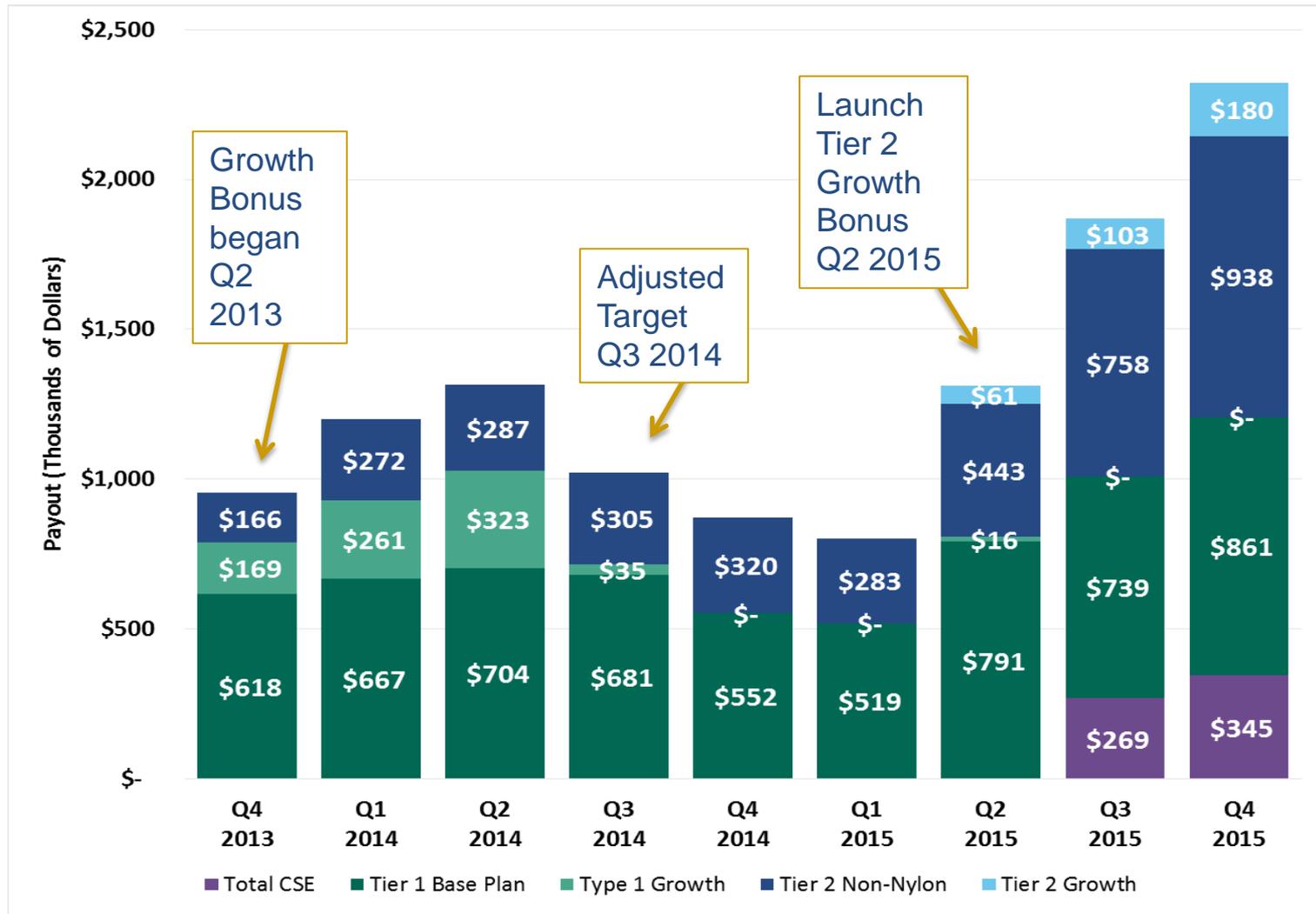


# Summary of Payouts Q4 2015

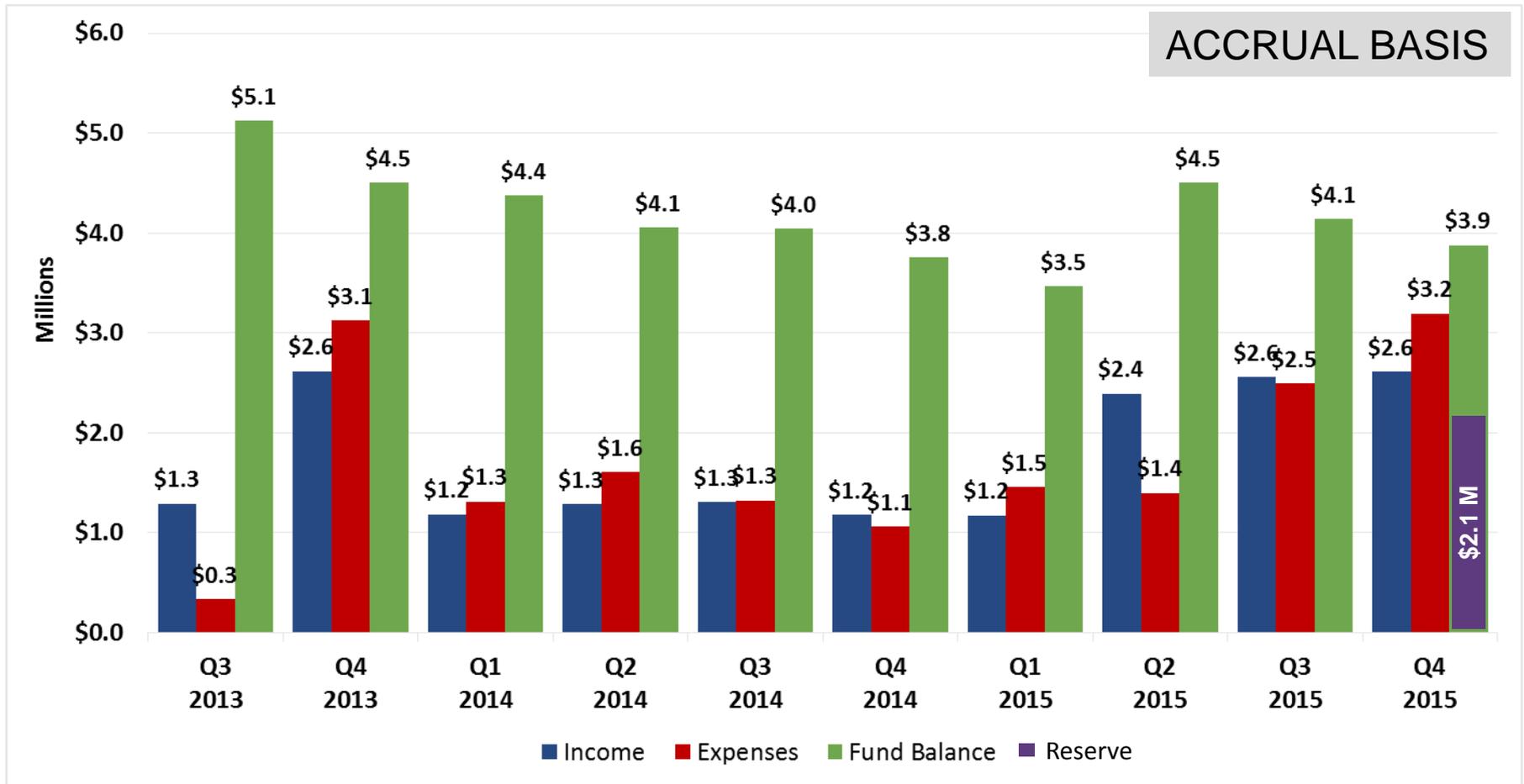
<b>CSEs</b>	
CSE Reporting Incentive	\$ 8,000
Tile REUSE	\$ 1,870
Broadloom REUSE	\$ -
Whole Carpet Shipped and Sold for recycling (CSEs)	\$ 30,643
Whole Carpet Shipped and Sold for recycling (Processors)	\$ 304,560
<b>Total All CSEs Payouts</b>	<b>\$ 345,073</b>
<b>Processors</b>	
Tile REUSE	\$ 12,907
Broadloom REUSE	\$ 3,322
<b>Total Reuse Payout</b>	<b>\$ 16,229</b>
Tile RECYCLED	\$ 17,599
Type 1 Standard Payout	\$ 822,084
Type 1 Growth Bonus Payout (\$0.10/lb >11M lbs)	\$ -
<b>Total Type 1 Payout</b>	<b>\$ 839,683</b>
Type 2 Filler/Other	\$ -
Calcium Carbonate	\$ -
Type 2 CAAF	\$ -
Type 2 Kiln	\$ 4,872
<b>Total Type 2 Payout</b>	<b>\$ 4,872</b>
<b>Total All Processor Payouts</b>	<b>\$ 860,784</b>
<b>Manufacturers</b>	
Non-nylon Payouts	\$ 948,905
Growth Bonus Payout (\$0.10/lb >2M lbs)	\$ 179,562
<b>Adjustment*</b>	<b>\$ (11,056)</b>
<b>Total All Manufacturers Payouts</b>	<b>\$ 1,117,410</b>
<b>Subsidy Payouts</b>	
<b>Total Subsidy Payouts for Quarter</b>	<b>\$ 2,323,268</b>



# Payouts Over Time



# Fund Balance Trends\*

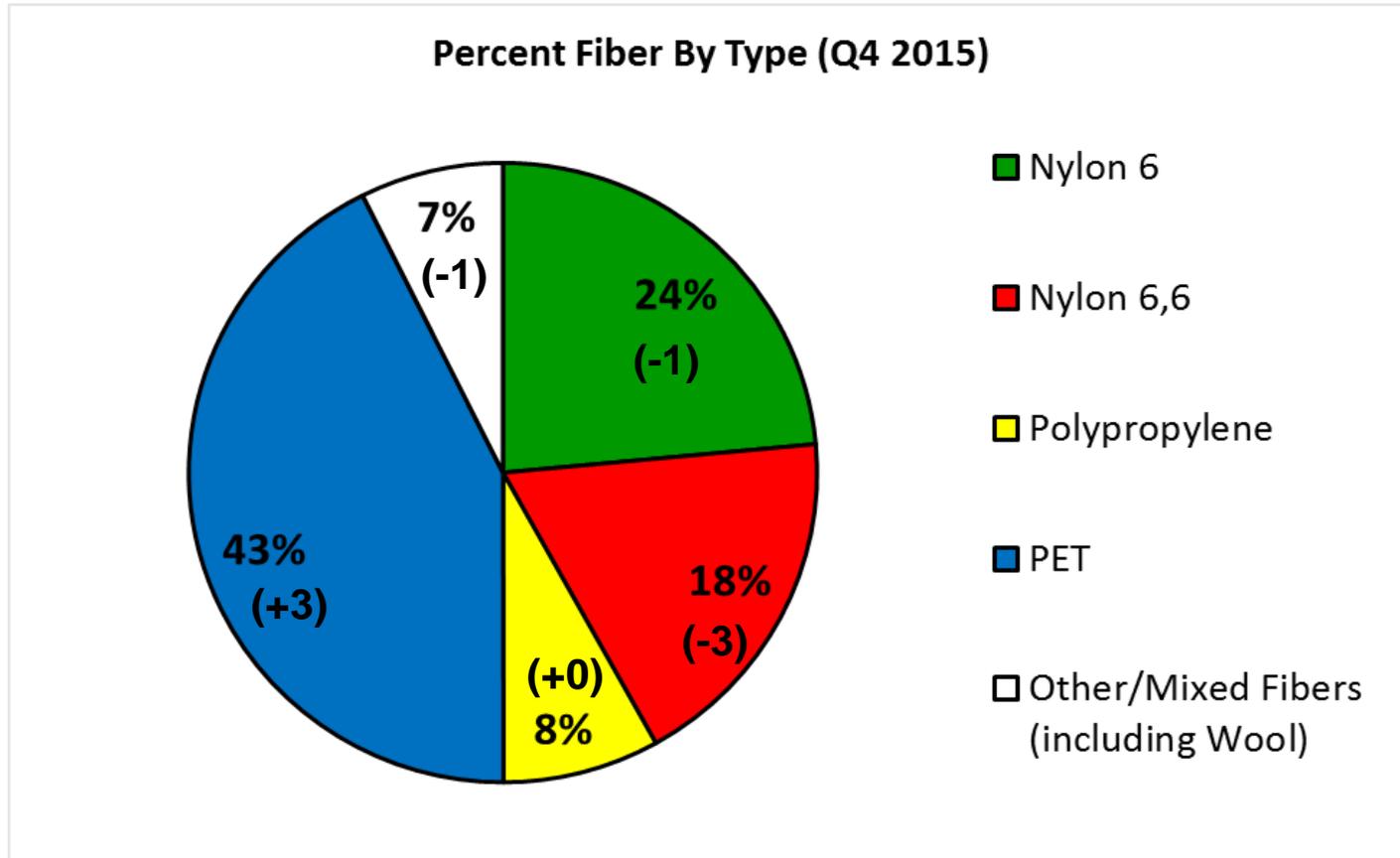


\* Includes CSEs + Processors + Tier 2 Manufacturers

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



# Quarterly Collection: Face Fiber Breakdown\*



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.



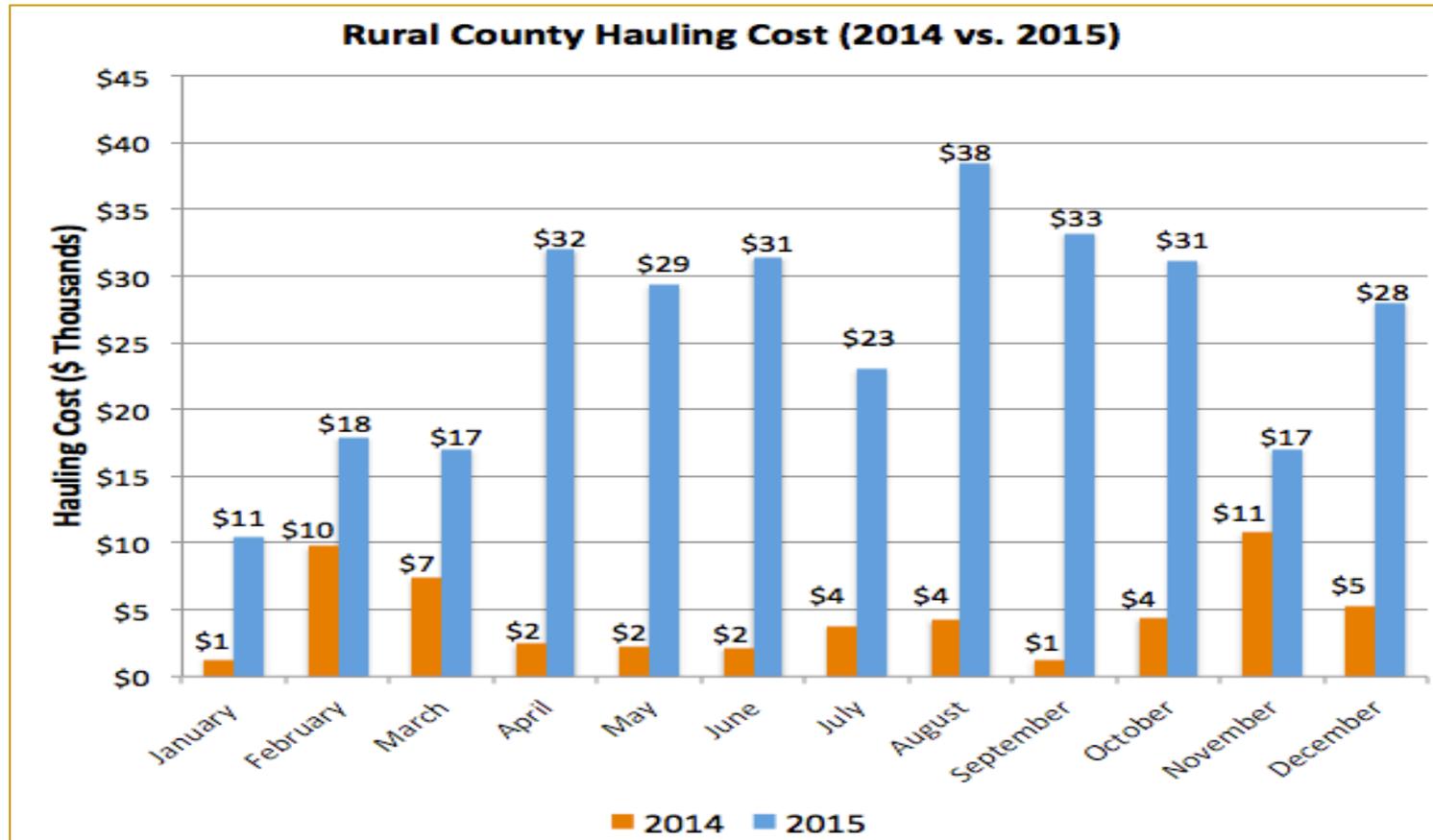
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# Collection Program Update

## Q4 2015



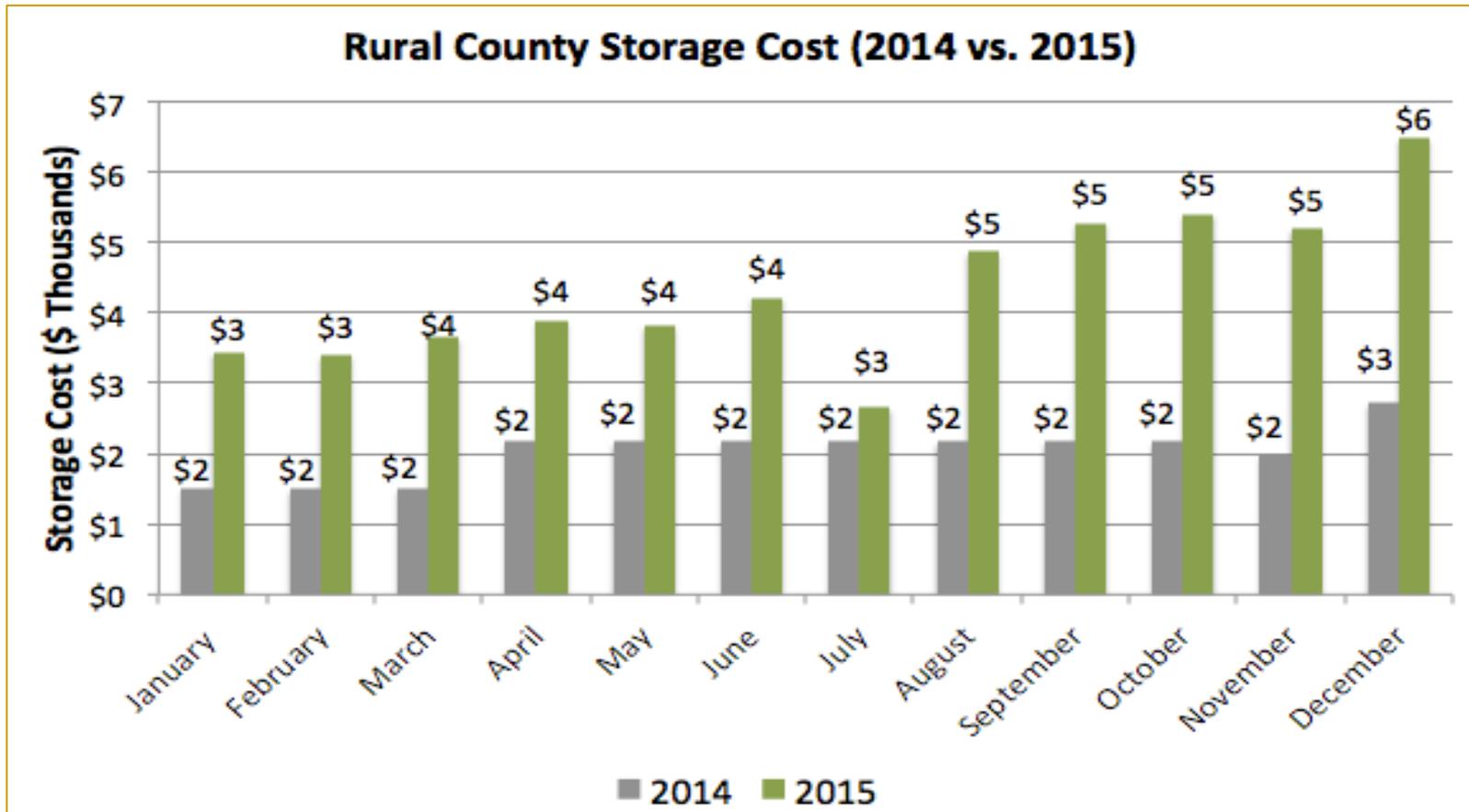
# Hauling Costs - 2014 vs. 2015



Q4=\$76K, 23 collection sites  
2015 YTD=\$309K  
2014 (Annual)= \$53K, 11 collection sites



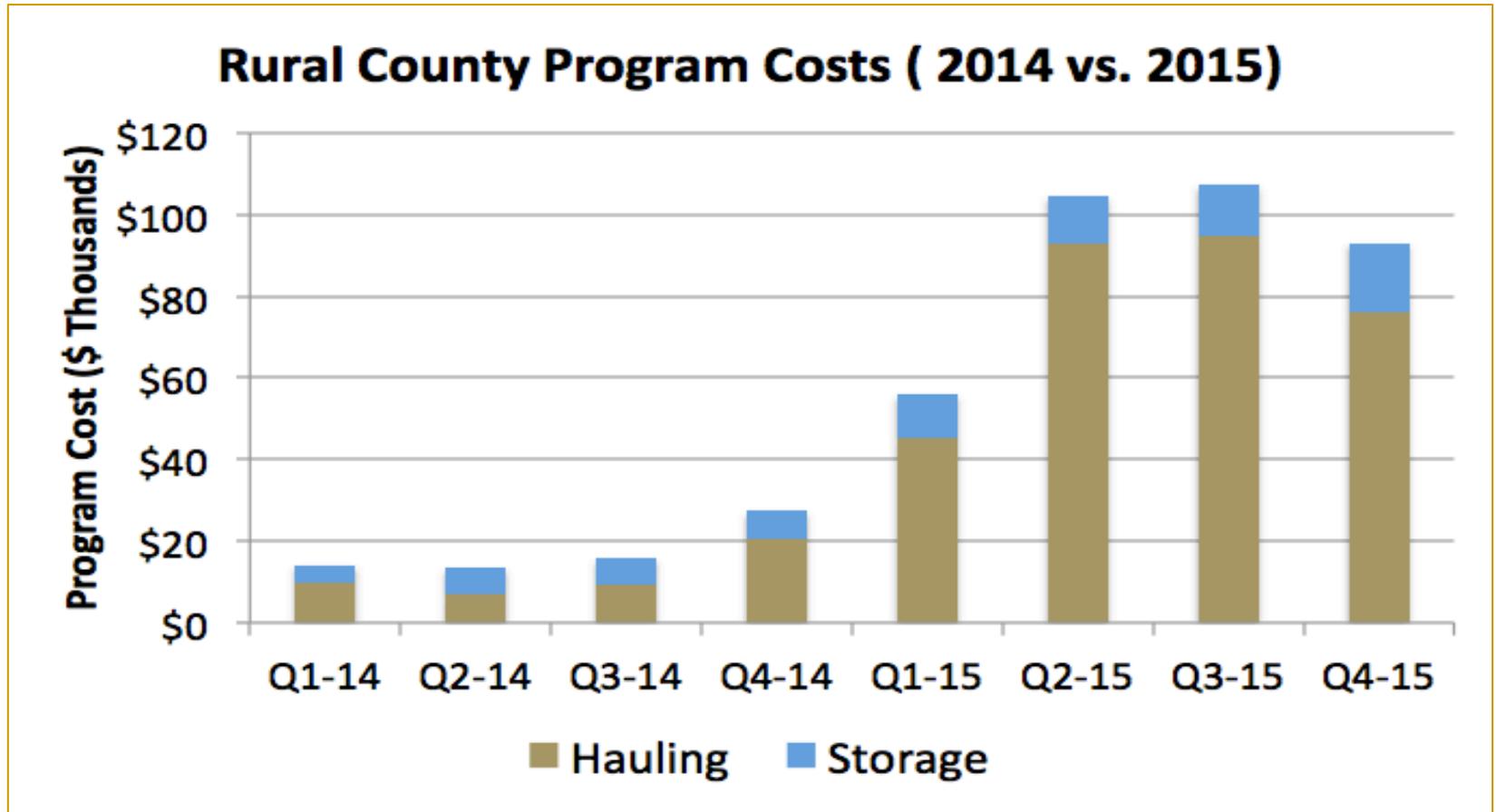
# Storage Costs - 2014 vs. 2015



Q4=\$17K, 23 sites  
2015 (Annual)=\$52K  
2014 (Annual)=\$24K, 11 sites



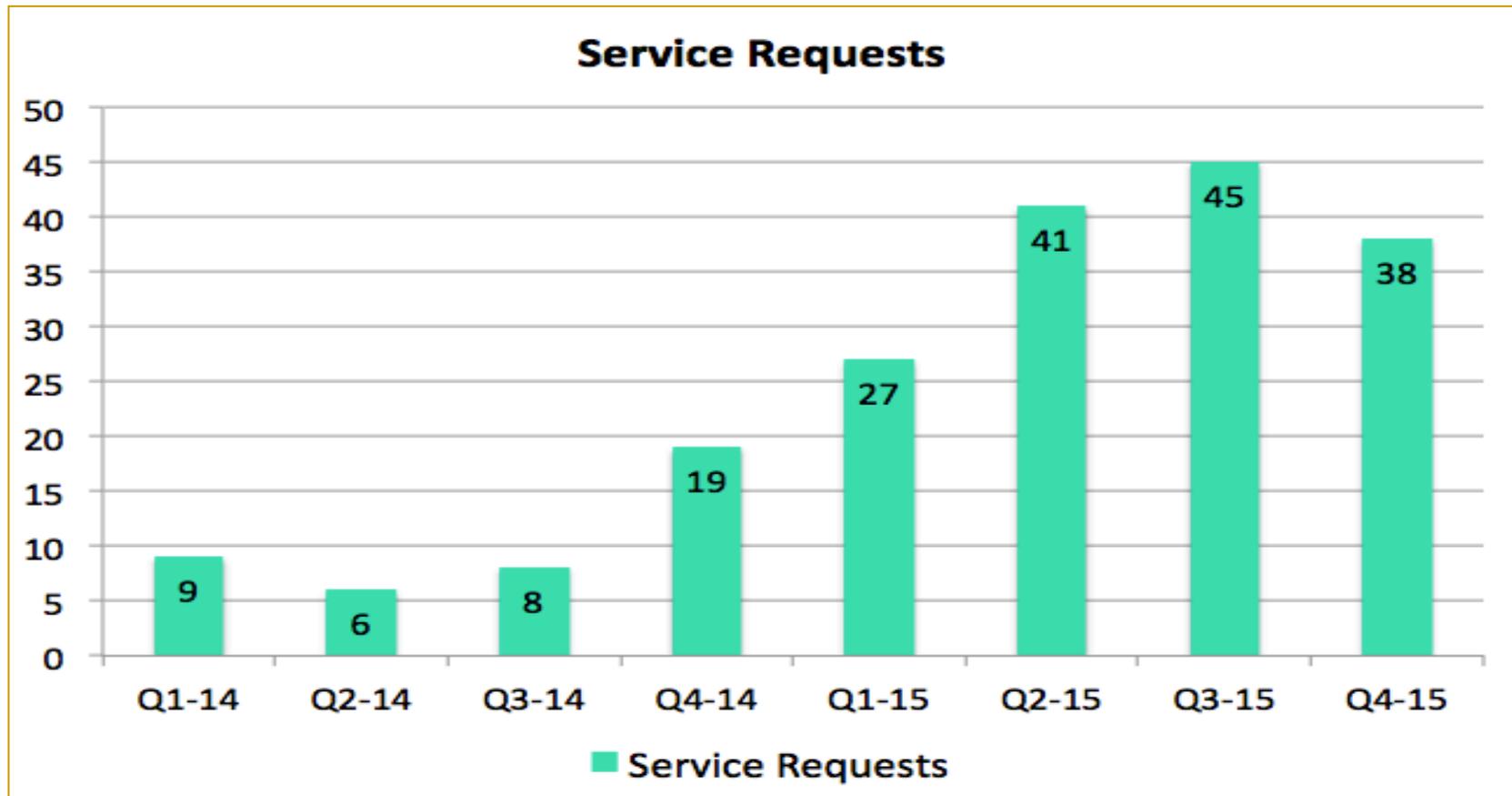
# Hauling + Storage Costs By Quarter



Hauling; 82% of Q4 Collection Program Service Cost  
Storage: 18% of Q4 Collection Program Service Cost



# Service Requests By Quarter



42 Pulls in 2014 = average 3.5 per month  
151 Pulls in 2015 = average 12.6 per month  
2015 Pulls = 359% of 2014 pulls



# 2014 & 2015 Data Summary\*

2014 & 2015 Rural Program Data Summary						
Data Collected	2014	Q1-15	Q2-15	Q3-15	Q4-15	2015
Hauling Cost	\$54	\$45	\$93	\$95	\$76	\$309
Storage Cost	\$24	\$10	\$12	\$13	\$17	\$52
<b>TOTAL Cost</b>	<b>\$78</b>	<b>\$56</b>	<b>\$105</b>	<b>\$107</b>	<b>\$93</b>	<b>\$361</b>
Cost/Pound of Collection	\$0.14	\$0.20	\$0.15	\$0.14	\$0.15	\$0.16
Cost/Capita	\$0.08	\$0.04	\$0.07	\$0.06	\$0.03	\$0.06
<b>Pounds Collected</b>	<b>560</b>	<b>285</b>	<b>698</b>	<b>779</b>	<b>615</b>	<b>2,378</b>

- 21 Participating Counties; 23 Collection Sites
- 62% of qualifying Rural Counties at close of Q4
  - Calaveras, Del Norte, Humboldt, Plumas, Siskiyou, Tehama
  - Butte, Trinity, Tuolumne, Santa Cruz, Napa,
  - Lake, Marin, Mendocino, Mariposa, Sutter, Yuba
  - Inyo, Mono, El Dorado, Sacramento



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# Special Request 2016 Grants Program

***Grant Dollars are included in the approved 2016 budget***



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# Recommendations to SFOC



# Recommendations for SFOC Approval

- 1) Approve CSE subsidy\* (\$345.1K)
- 2) Approve Processor subsidy\* (\$860.8K)
- 3) Approve Manufacturer subsidy (\$1,117.4K)
- 4) Approve Administrative reimbursements (\$869K)

**Total Payout Q4: \$3,192K**

- 5) Approve Grant disbursements (\$2.4M):
  - a) **Capacity: \$2,235K**
  - b) **Products: \$178K**



# End of Review

