

# CARE Sustainable Funding Oversight Committee

Q2 2015 AB 2398 Summary &  
Recommendations for Approval

*Updated 9/10/15*

Version 11



# Agenda

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



# CARE's Executive Director's Message

The 2Q 2015 was marked by the launch of a new Program Assessment and expanded Program Incentives. Working diligently in response to CalRecycle's 2013 Annual Report findings and continued macroeconomic challenges, significant efforts were taken throughout Q4 2014 and Q1 2015, to set the stage for new Program enhancements. New incentives were adopted to address key pitch points within the Carpet Stewardship ecosystem including reuse/source reduction, recyclability, recycled output and product market development. Incentives fall into three major categories: New Carpet Tile Reuse/Recycling Incentive, New Calcium Carbonate Incentive, and Enhanced Tier 2 Non-Nylon Product Incentives. In addition, the 2014 Annual Report was submitted to CalRecycle on July 1, 2015 and included an Addendum with additional results from 1<sup>st</sup> and 2<sup>nd</sup> Quarters 2015.

Effective April 1, 2015, the Carpet Stewardship Assessment went from 5 cents per square yard to 10 cents per square yard. The new Assessment level was necessary to enable the Program to launch higher subsidies, expand staff and support communications and market development activities to buffer against dynamic market conditions, including reduced demand from both Asian and domestic markets, falling global oil and natural gas prices, and remaining effects of port challenges limiting movement of goods.

The period focused efforts on launch of the new assessment, and engaging manufacturers, retailers, processors and stakeholders through multiple communications strategies. A new fulltime staff member was added in April 2015. New communications offerings include a monthly newsletter, increased social media, enhancements to California webpages of the CARE website and promotion in preparation for annual stakeholder meetings to be held in July and August of 2015. The Rural County Program added six new Counties during the period, bringing the total number of participating Counties to eighteen, including twenty total statewide collection sites or 125% of the Program's June 2015 goal. Market development efforts underway since Q3 2014, continued during the quarter with a featured presentation at California Department of General Services (DGS) procurement event, continued product testing, and the approval of a new carpet derived product for use by CalTrans.

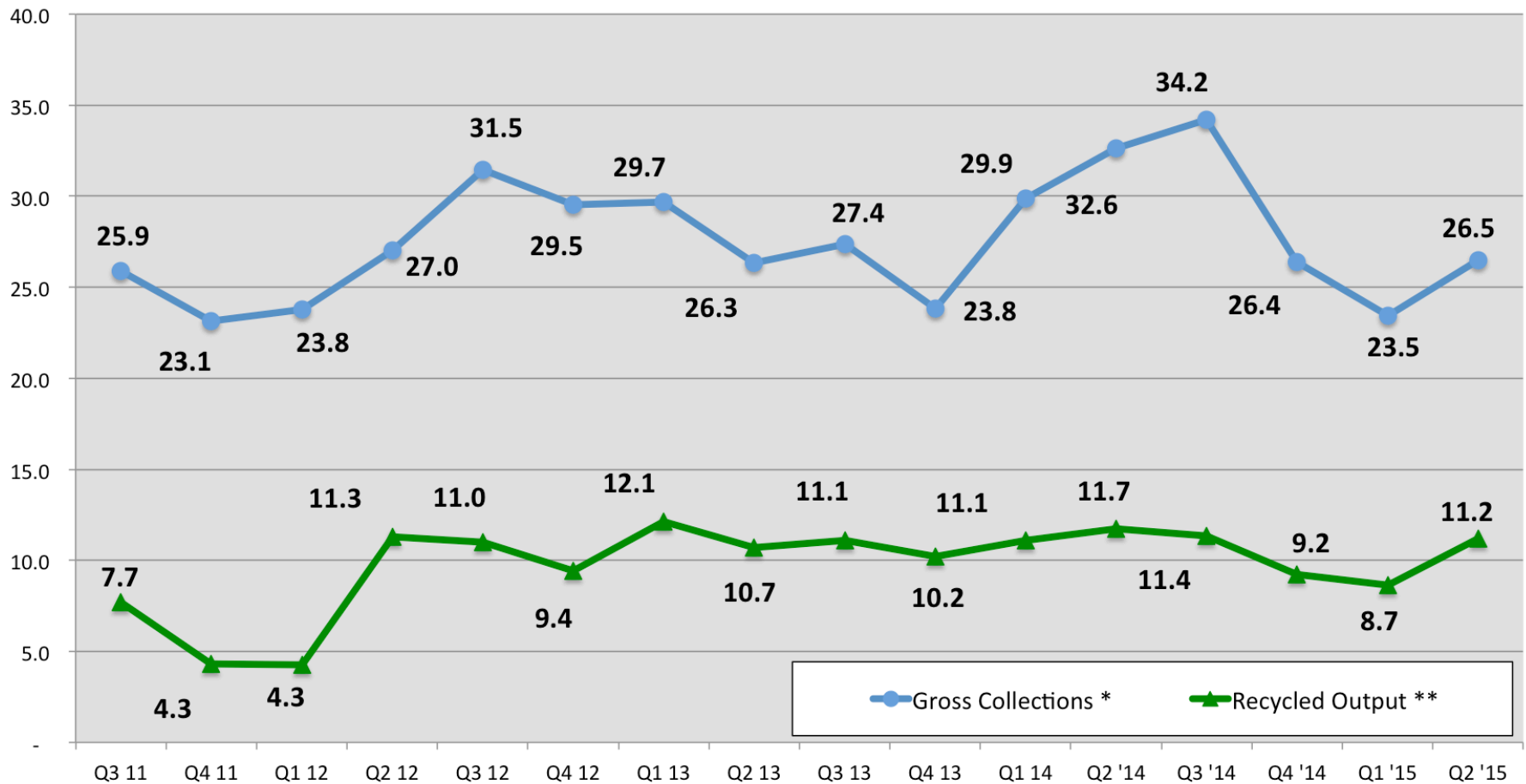
Although recycled output trends have remained sluggish in 2014 and 2015 to date, 2<sup>nd</sup> quarter results show a renewed uptick in the Program's recycling rate, a healthy indication that new incentives may be helping to reverse this trend. Please sign up for Program Updates by visiting: [www.carpetrecovery.org/CA](http://www.carpetrecovery.org/CA)

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

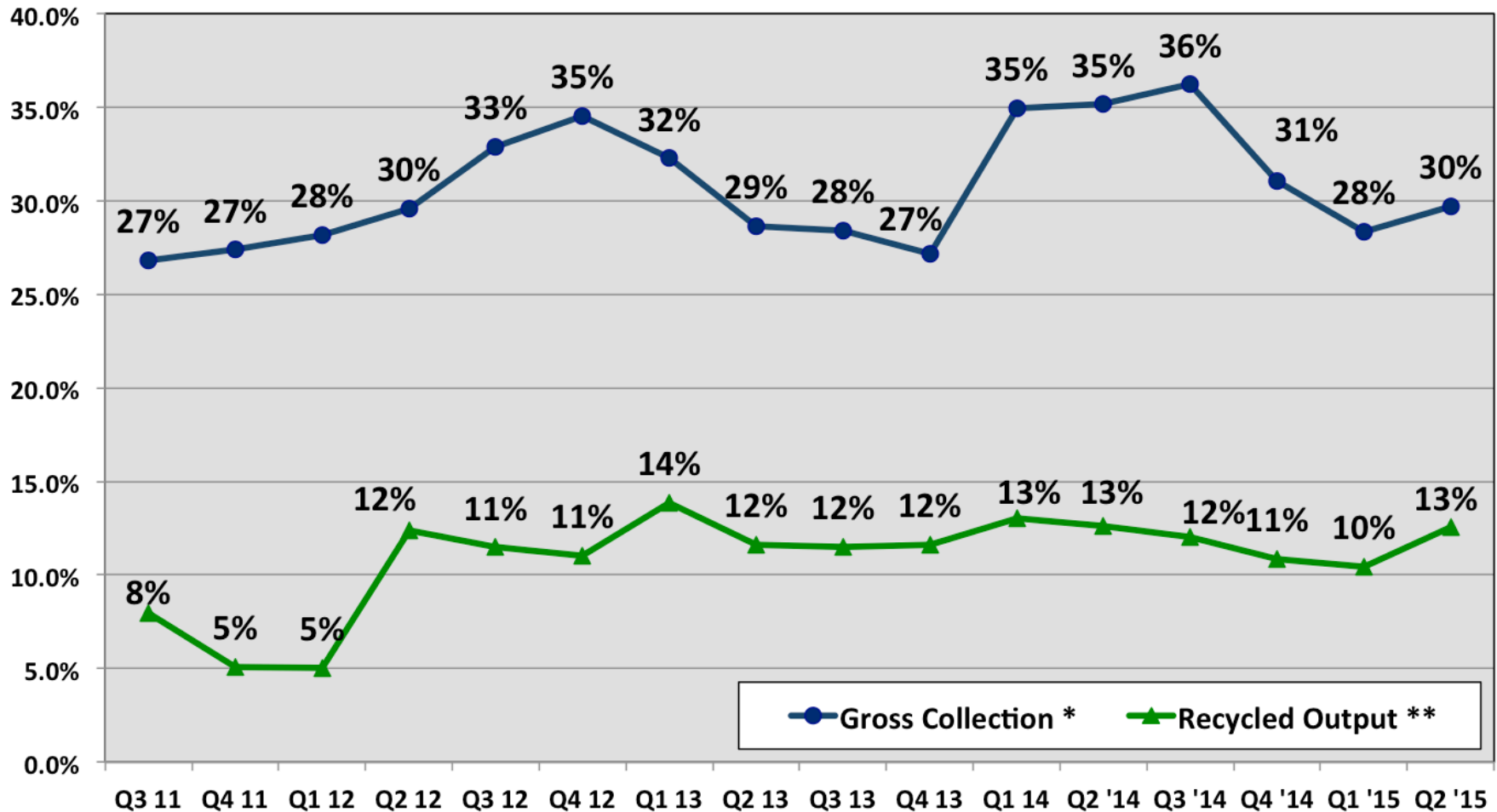
# AB 2398 Summary Results



# AB 2398 Performance Trends (millions of pounds)



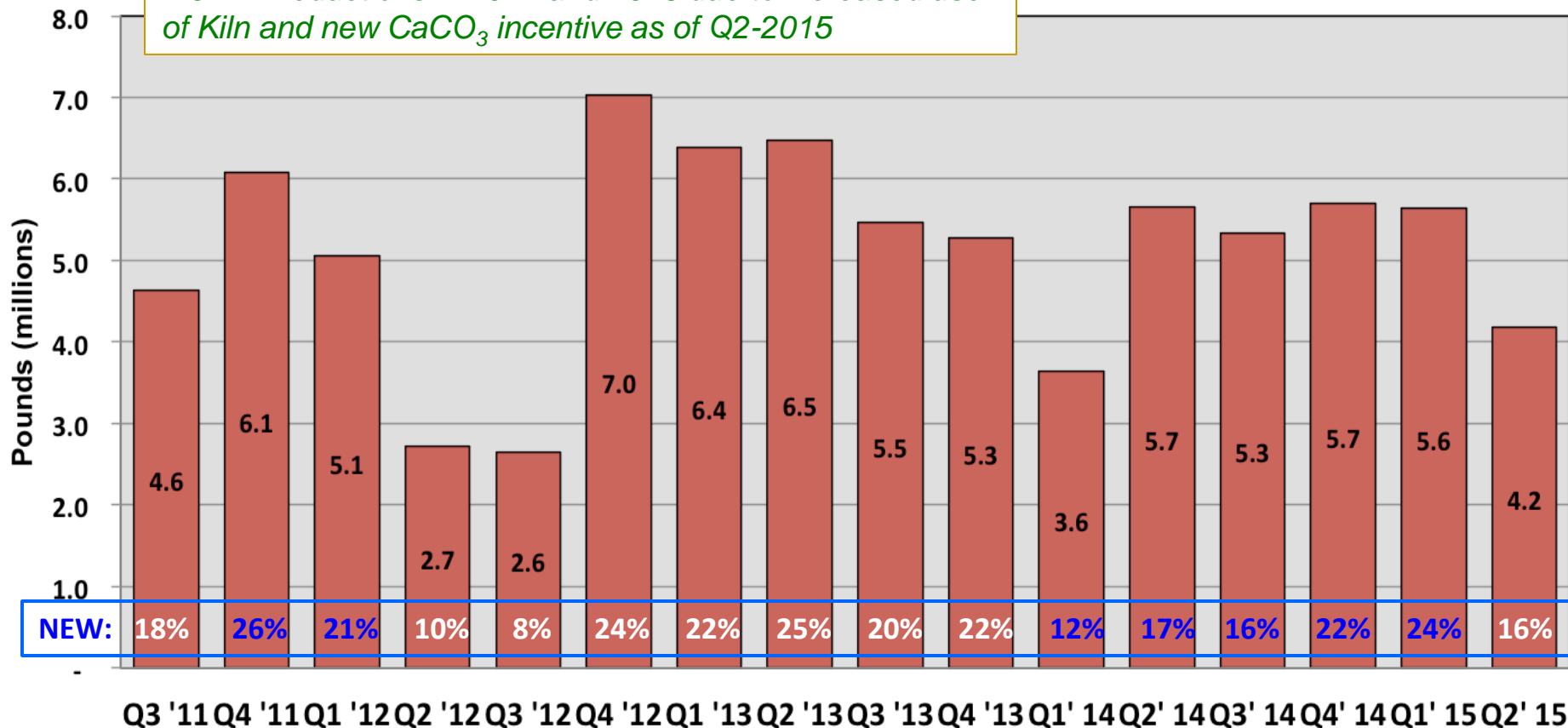
# AB 2398 Performance Trends (percentage)



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 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*

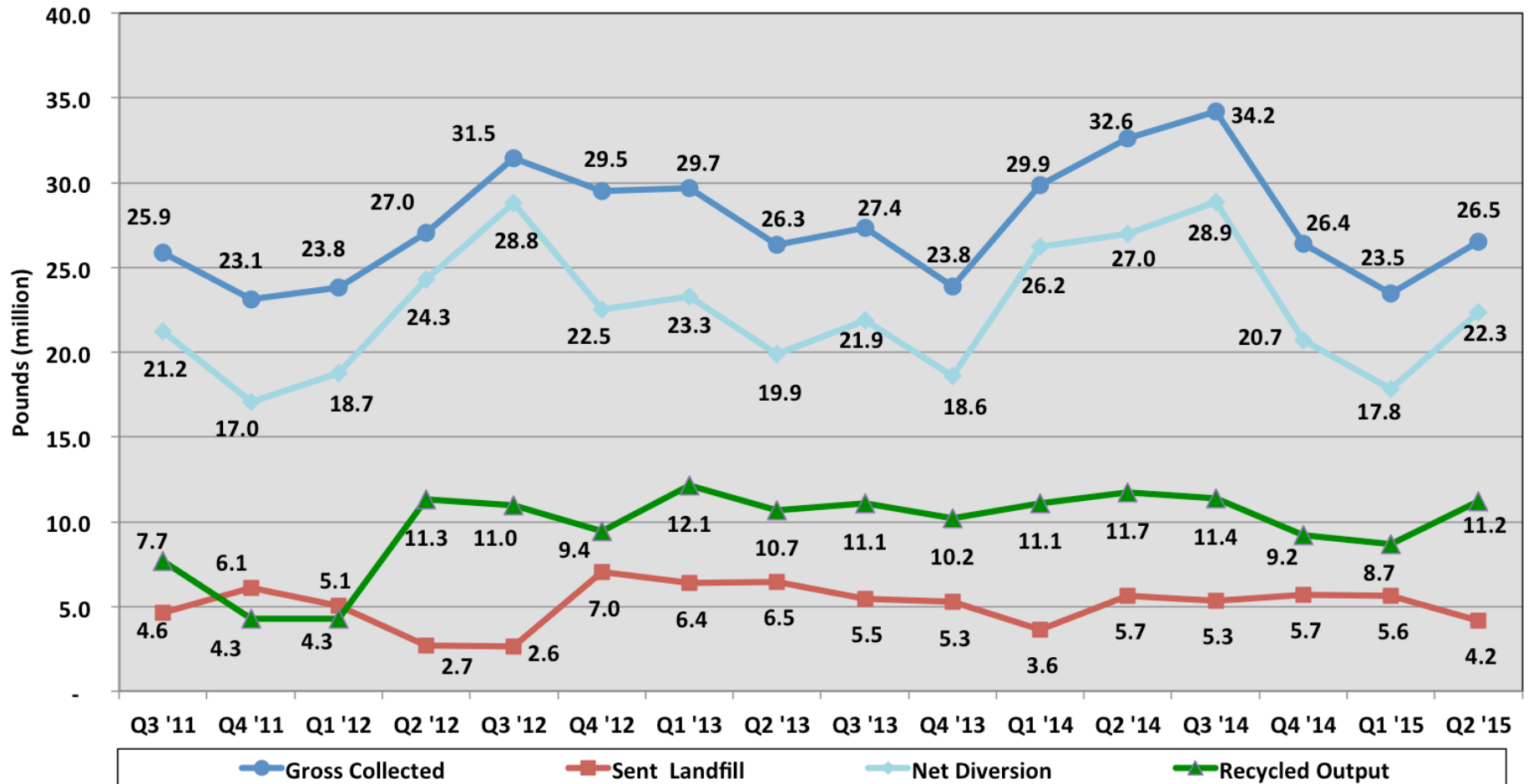


Q2-2015 Gross Collected: 26.5M pounds – 4.2M sent back to landfill  
Cumulative back to landfill: 81.9M lbs.



\* 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. Percentages shown in blue are updated as compared to previously reported figures.

# Performance Trends



Net Diversion = Gross Collection – Sent to landfill\*



# AB 2398 Manufacturers/Mills Quarterly Summary Report



# AB 2398 Manufacturers' Summary\*

Manufacturers	2011	2012	2013	2014	Q1 '15	Q2 '15
# Mills Registered	80	80	79	79	76	77
# Mills Not Reporting	0	4	5	1	1	0
Non-response Rate		5%	6%	1%	1%	0%
<b>Remittance Collected</b>						
Total Sq Yd Sold (millions)	50.1	98.5	100.5	98.9	22.9	25.2
Total Remittances (\$M)	\$ 2.53	\$ 4.91	5.0	4.9	\$ 1.16	\$ 2.52
Top 10 Remittances (>\$10K)	\$ 2.33	\$ 4.55	4.7	4.5	\$ 1.06	\$ 2.31
Top 10 Percentage of Total	92%	93%	92%	91%	91%	92%

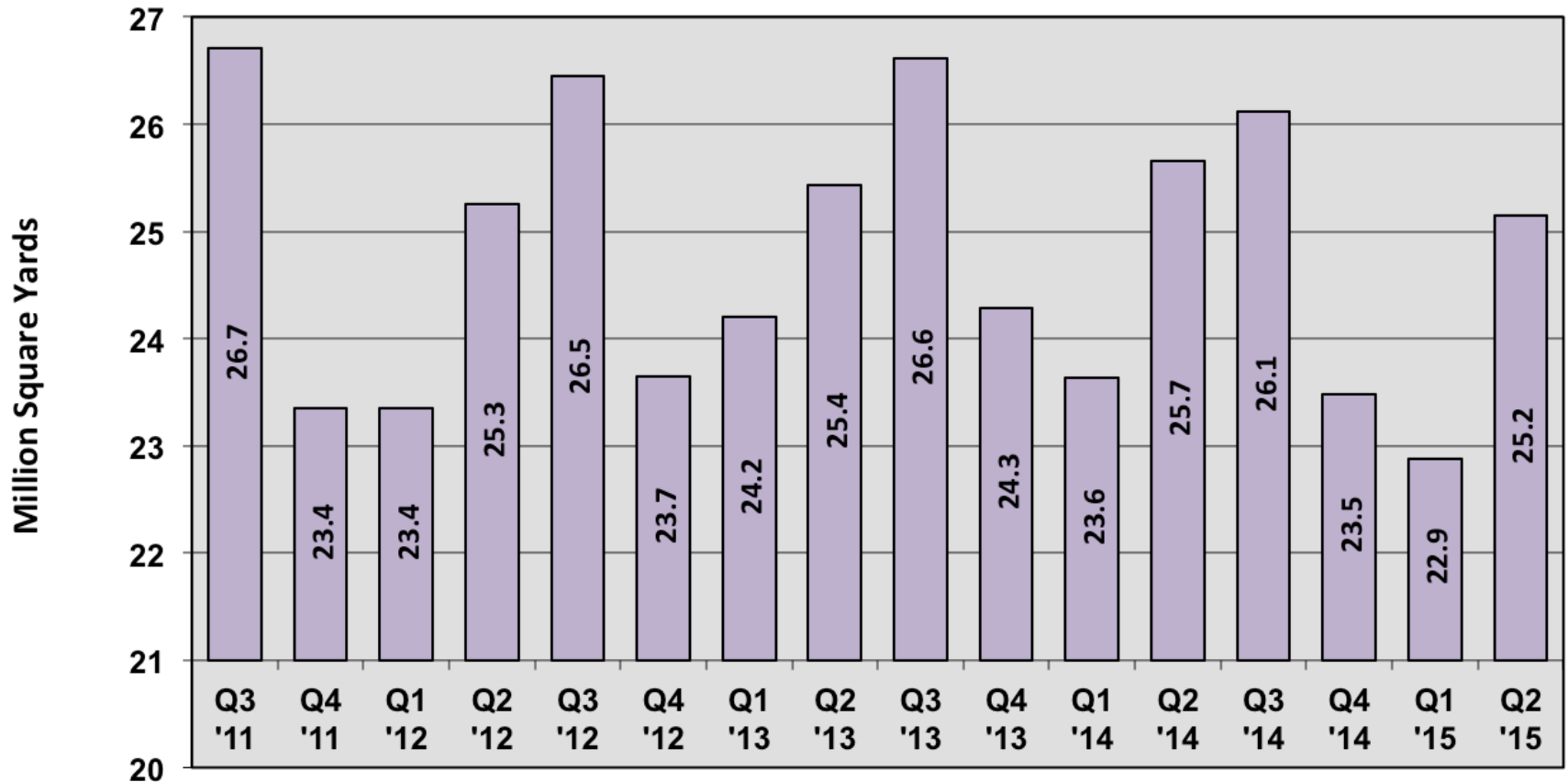
Cumulative SQYD sold: 396M

Cumulative Remittances: \$21.1M

\* Reduction in number of mills is a result of consolidation/merger of one or more mills, rather than business closure; One new mill joined the Program in Q2-2015.



# Total Square Yards of CA Sales



Average Q2 Sales 2012 - 2015 = 25.4 M yd<sup>2</sup>

Q2 2015 Sales <1% (0.8%) lower than historical Q2 Average



# AB 2398

## Processors Quarterly Report



# Growth Bonus Summary

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

Type 1 Growth Incentive Contributions	Q2-2015
Total Type 1 Pounds for Quarter	11,158,547
Target Pounds for growth incentive	11,000,000
Over (Under) Target	158,547
Total Growth Incentive Pool (10 cents/lb over target)	\$15,855

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

TIER 2 Growth Incentive Contributions	Q2-2015
Total TIER 2 Non-Nylon Pounds for Quarter	2,605,211
Target Pounds for TIER 2 Growth Incentive	2,000,000
Over (Under) Target	605,211
Total Growth Incentive Pool (10 cents/lb over target)	\$60,521



# Summary of Payouts

Revised

	Description	Amount in Thousands
	Tile Incentive - REUSE <i>New Q2-2015 = \$0.10/lb</i>	\$ 20.1
	<b>Total Reuse Payout</b>	<b>\$ 20.1</b>
Processors	Tile Incentive - Recycle <i>New Q2-2015 = \$0.10/lb</i>	\$ 7.5
	Type 1 Standard Payout (\$0.06/lb)	\$ 665.0
	Type 1 Growth Bonus Payout (\$0.10/lb >11M lbs)	\$ 15.9
	<b>Total Type 1 Payout</b>	<b>\$ 688.3</b>
	CaCO3 Raw Material <i>New Q2-2015 = \$0.12/lb</i>	\$ 4.9
	Type 2 Filler/Other (\$0.03/lb)	\$ -
	<b>Total Type 2 Payout</b>	<b>\$ 4.9</b>
	CAAF (\$0.03/lb)	\$ -
	Kiln (\$0.03/lb)	\$ 93.7
	<b>Total Energy Recovery Payout</b>	<b>\$ 93.7</b>
	Adjustments*	\$ -
	<b>Total All Collector/Sorter/Processor Payouts</b>	<b>\$ 807.0</b>
Manufacturers	Non-nylon (Tier 2) Standard Payout <i>New Q2-2015 = 0.17/lb</i>	\$ 442.9
	Non-nylon (Tier 2) Bonus Payout <i>New Q2-2015 = \$0.10/lb [&gt;2M lbs]</i>	\$ 60.5
	<b>Total Product Manufacturer Payout</b>	<b>\$ 503.4</b>
	<b>Total Program Payouts for Quarter</b>	<b>\$ 1,310.5</b>
	Expenses	\$ 92.40
	<b>Total</b>	<b>\$ 1,402.85</b>

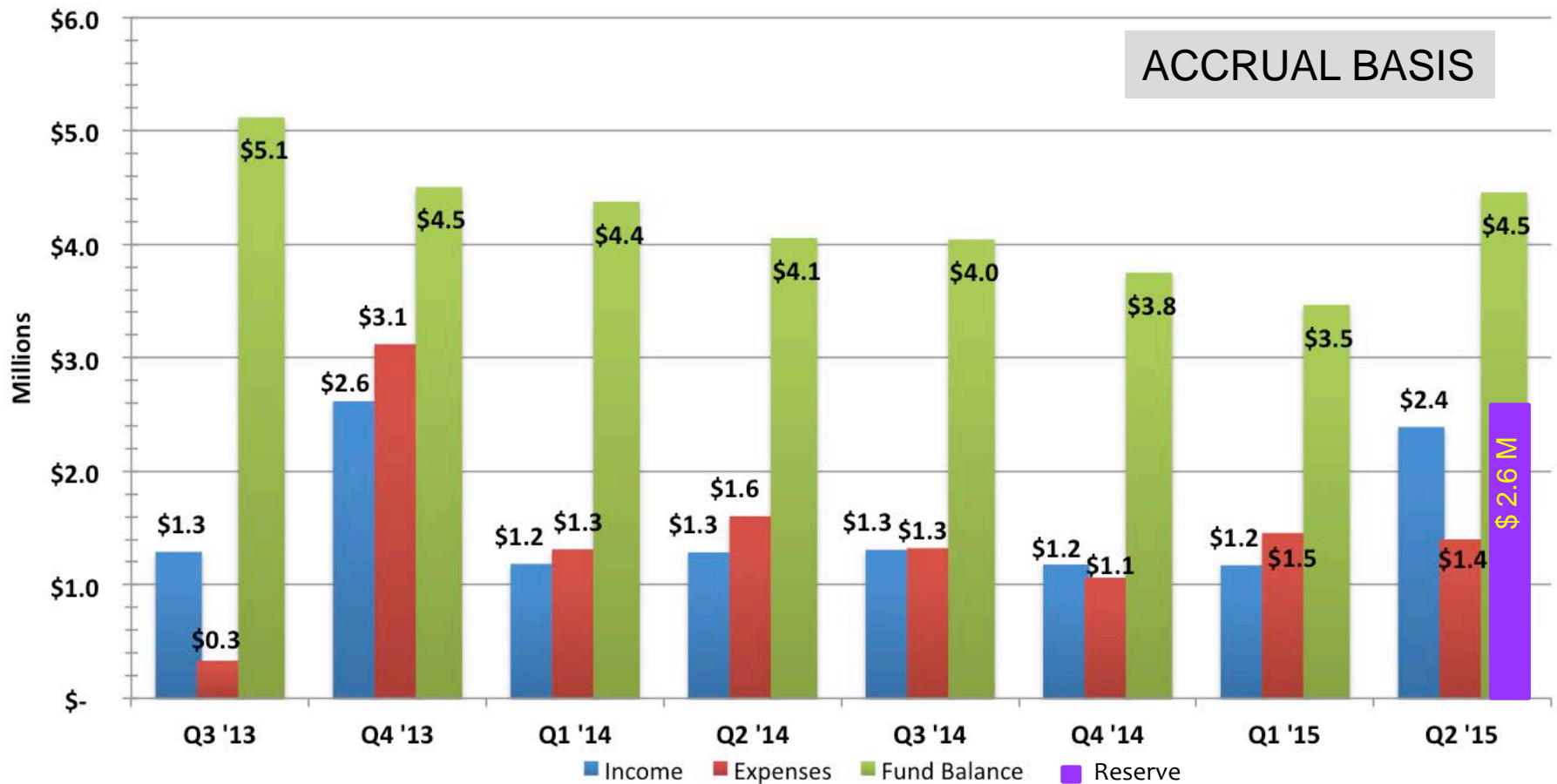
2% of  
Processor  
Payouts  
1M pounds  
over target

No Q2  
Adjustments

14% of  
Product  
Manufacturer  
Payouts  
600k pounds  
over target



# Fund Balance Trends\*

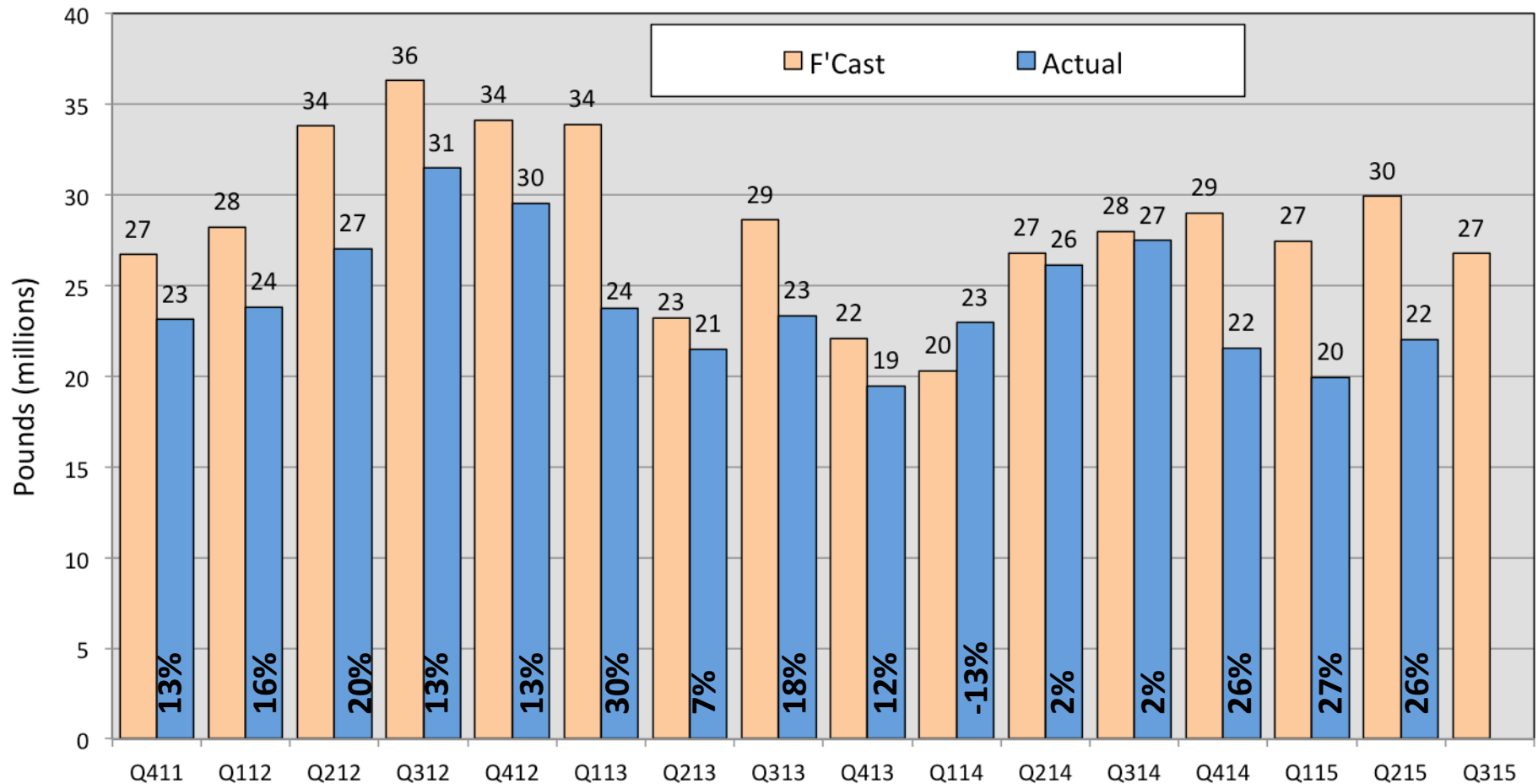


\* Includes Processors + Tier 2 Manufacturers

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



# Gross Collection (lbs): Processor Estimates



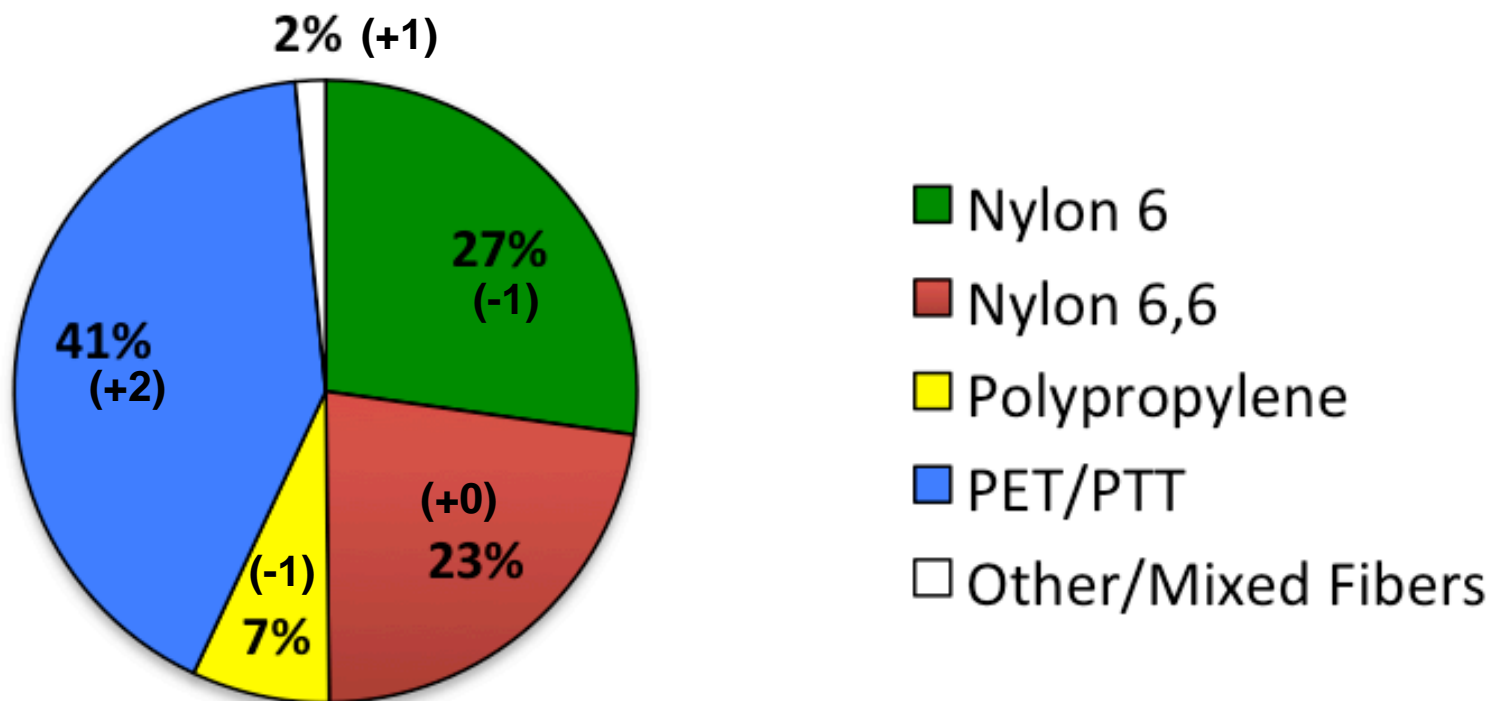
Gross Collected Pounds (in millions of pounds) are listed along chart peak  
Percent difference between Forecasted vs. Actual appears along chart base





# Quarterly Collection: Face Fiber Breakdown\*

## Percent Fiber By Type (Q2 2015)



Quarterly Data from Recycler's Reports

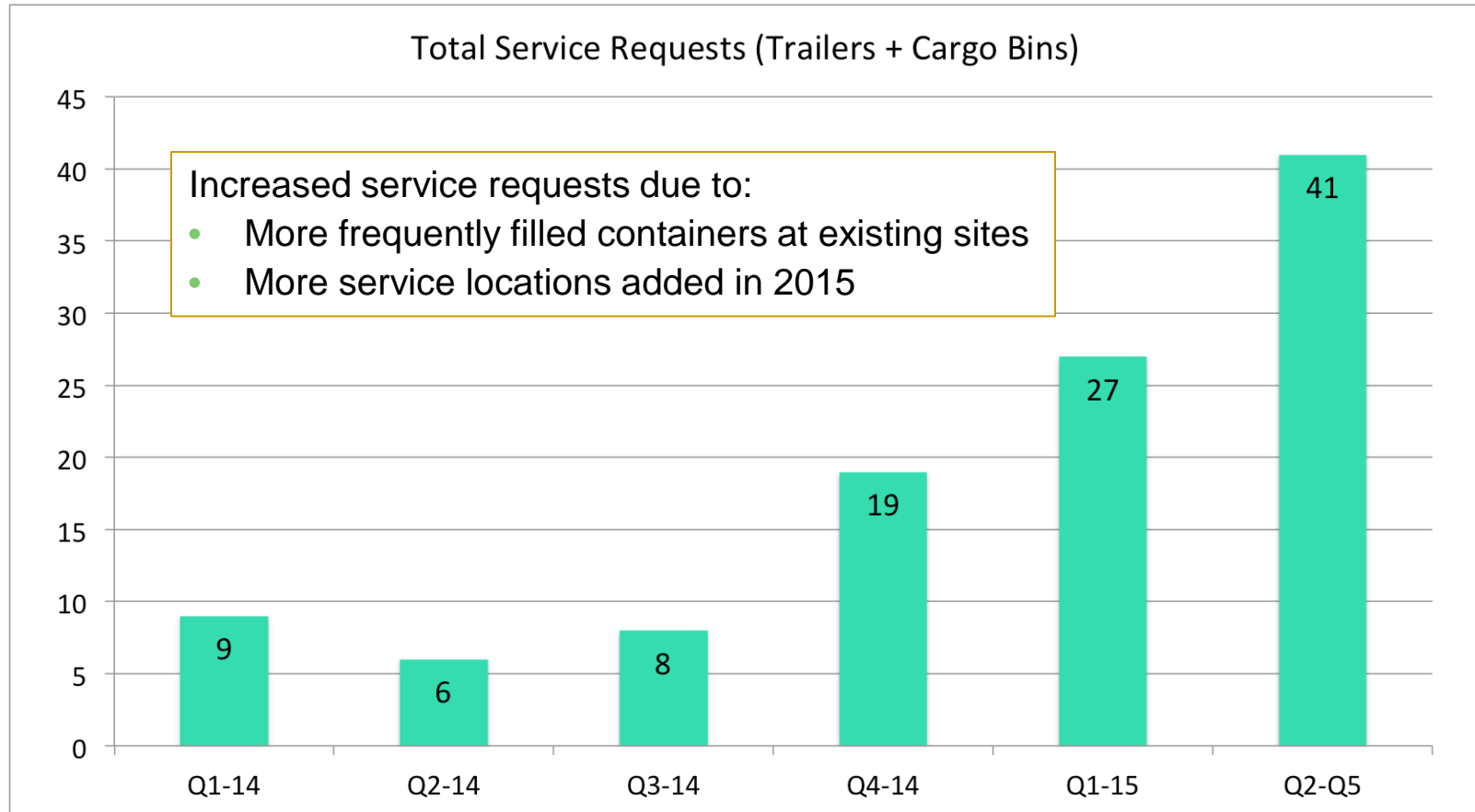
\* Data based on reported percentages by CA recyclers, however, may not be accurate due to preferential selection of higher value nylon.



# Additional Updates



# Total Service Requests (2014 – 2015)

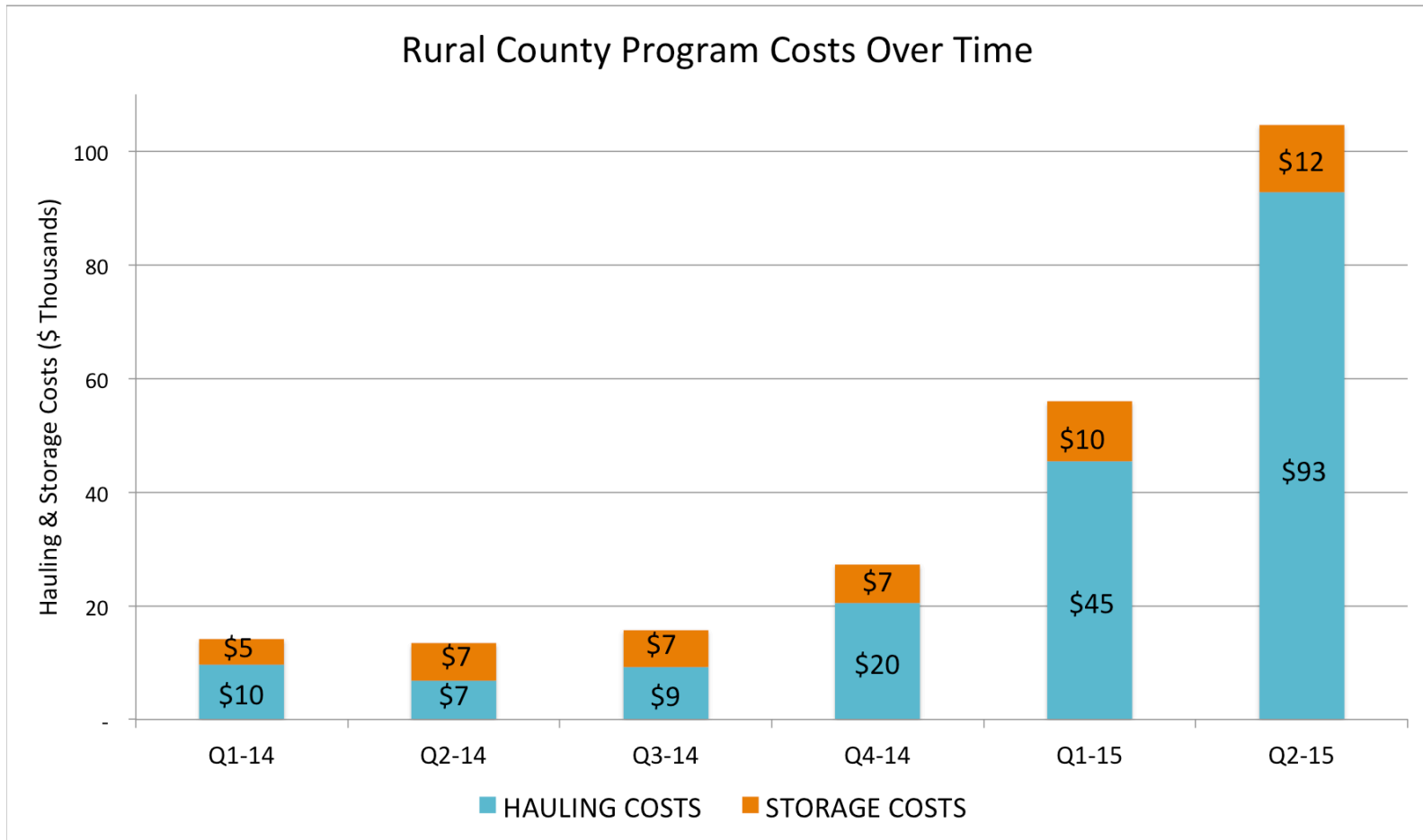


2015 YTD (Q1+Q2) = 162% of total 2014 service requests

- 42 Pulls in 2014 = average 3.5 per month
- 68 Pulls in 2015 YTD = average 11.3 per month



# Total Program Costs – 2015 YTD



Increased hauling cost in 2015 resulting from:

- Higher transportation costs with reduction in N.CA collector/processors
- Increased participating counties
- Increased frequency of service requests (filled containers)



# Recommendations to SFOC



# Recommendations for SFOC Approval

- 1) Approve Processor Distribution (\$807.0K)
- 2) Approve Tier 2 Distribution (\$503.4K)
- 3) Approve Administrative reimbursements (\$92.4K)

*Total Payout Q2: \$1,403K*



# End of Review

