
CARE Sustainable Funding Oversight Committee

Q1 2016 AB 2398 Summary &
Recommendations for Approval

Updated 6/1/16 v3



Agenda

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



CARE's Executive Director's Message

First quarter results indicate sales of new carpet set another new low beyond the normal seasonal decline. Gross collections were up while recycled output declined vs Q4. Low demand and weak pricing continue to impact the program, although signs of climbing out of the trough are surfacing with an uptick in orders, especially for PET fiber. Nylon 6 remains the weakest polymer. Aggressive increased subsidies implemented in 2H 2015 are driving this growth in demand which is expected to accelerate in the second half of this year as new processing capacity and products come on line – in part associated with the grants program.

As indicated last quarter, the 17 cent per pound incentive on calcium carbonate has generated significant interest. However, it is becoming evident even with strong subsidies, the technical demands for certain applications will take time to work out. It will take several months of product development and testing before we know if these new products will be commercially viable.

CARE continues to bring new counties on line and we are now up to 26. Face to face retailer visits now exceeds 900 with a target of half of all 2,500 retailers in the State. We expect to hit the target by mid-July. CARE annual audits, and annual report generation are well underway. The California Council on Carpet Recycling has completed 3 of the 4 planned meetings to gather inputs and ideas to help develop the new 5-Year Plan to be submitted by mid-summer.

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

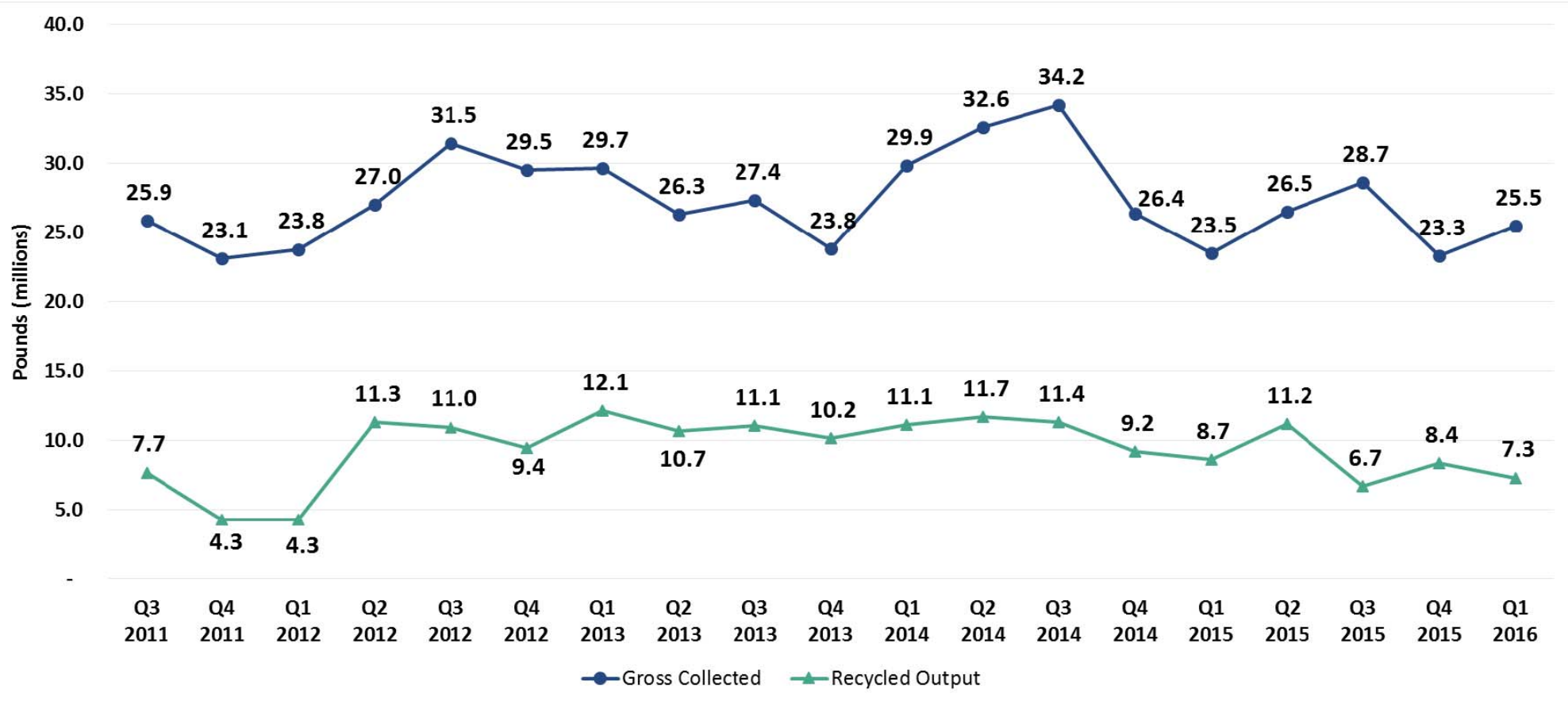
Bob Peoples, Ph.D., Executive Director, June 16 2016



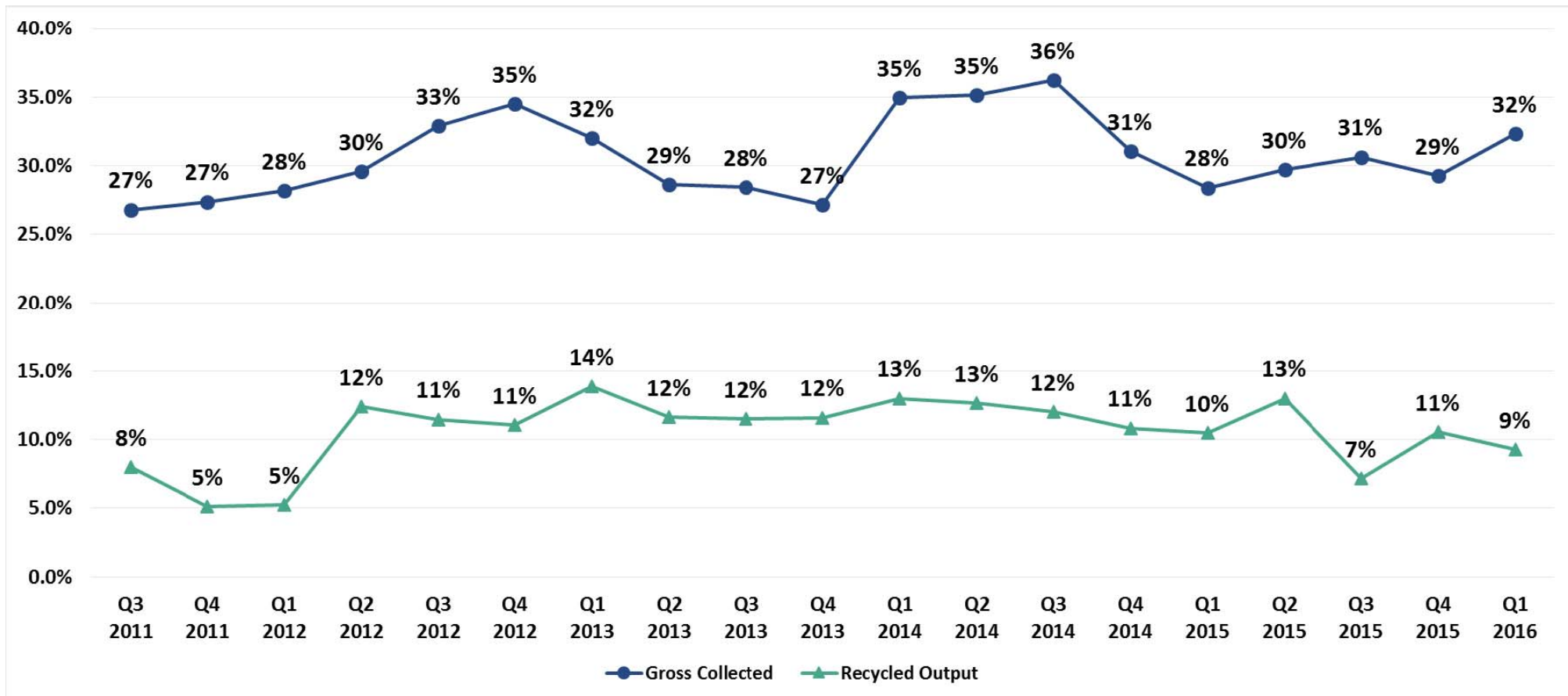
AB 2398 Summary Results



AB 2398 Performance Trends (millions of pounds)



AB 2398 Performance Trends (percentage)

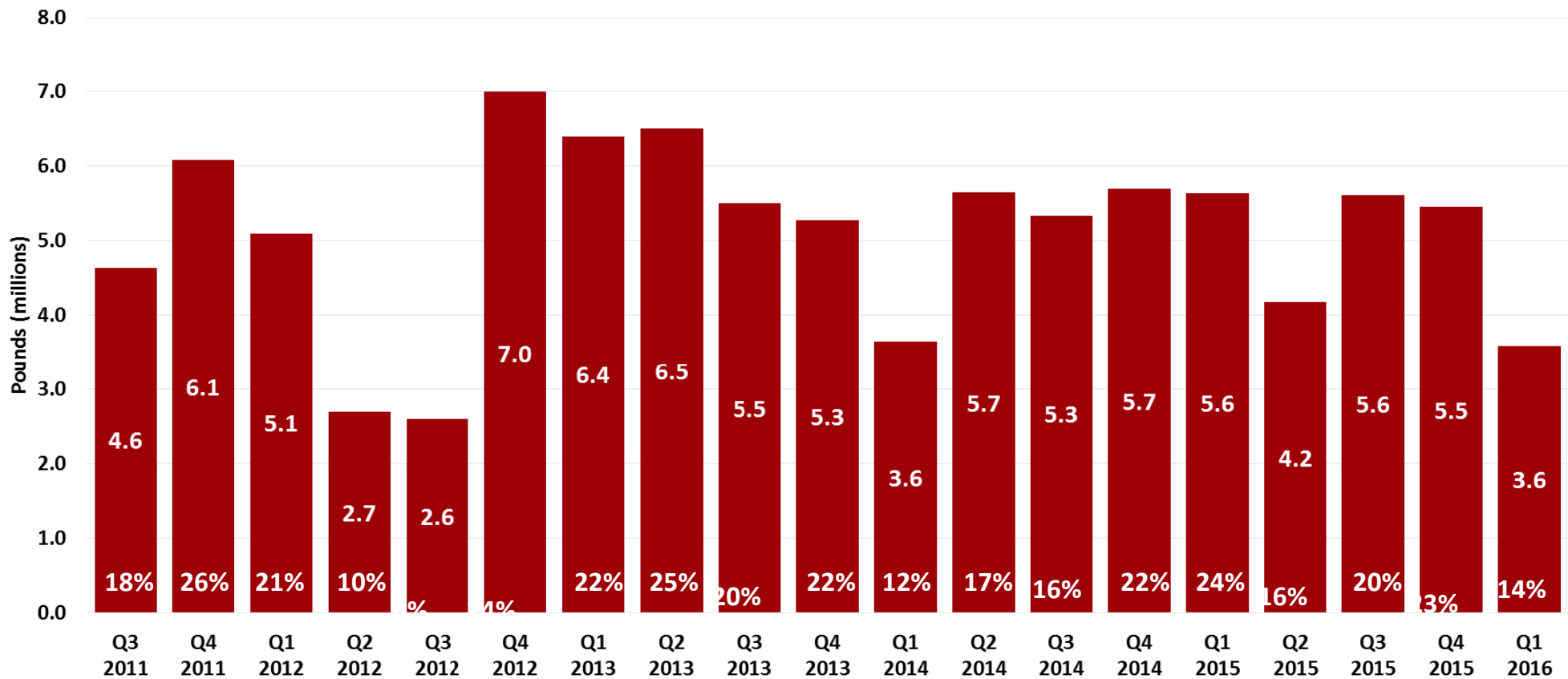


Beginning Q3-2015, adjustments for water content will be applied as appropriate.

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 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 and 2015 due to increased use of Kiln and new CaCO₃ incentive as of Q2-2015

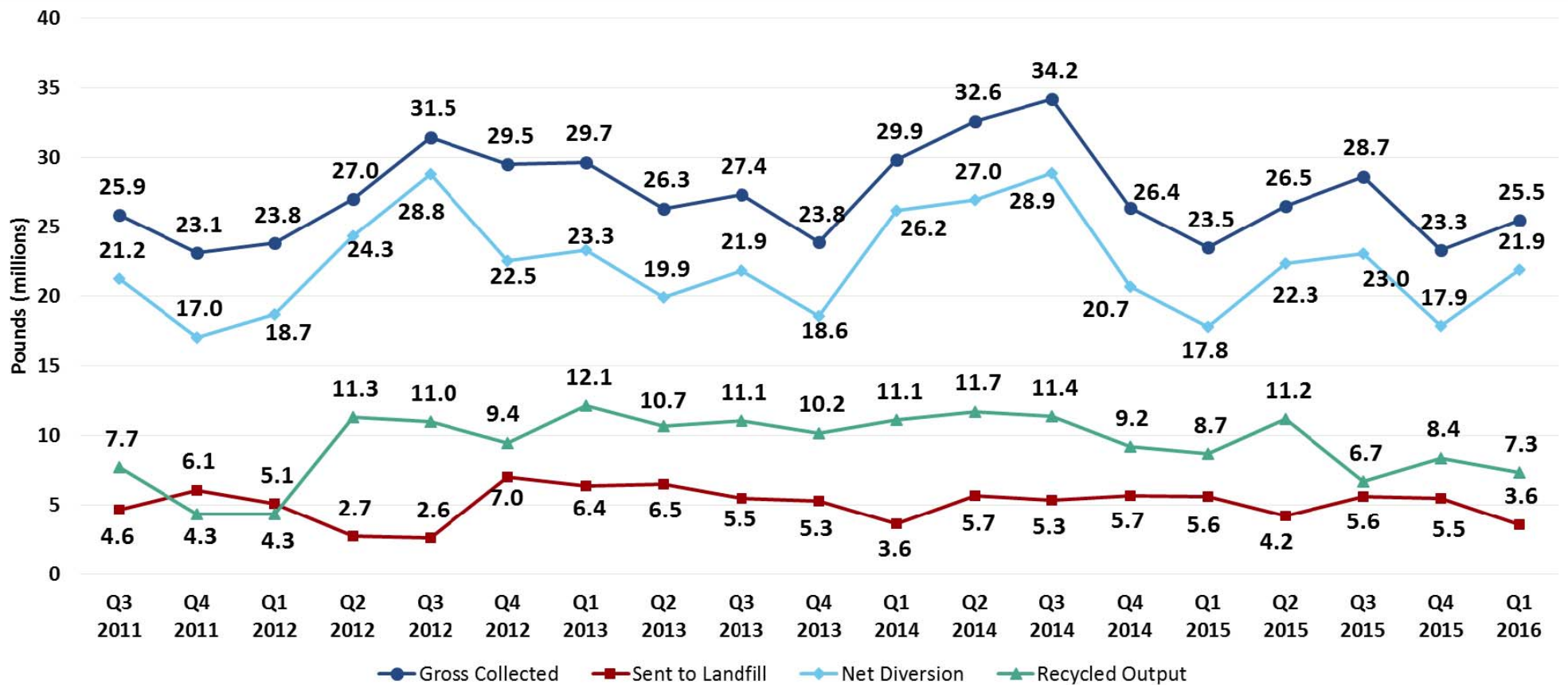


Q1-2016 Gross Collected: 25.5M pounds – 3.6M sent back to landfill
Cumulative back to landfill: 96.6M lbs.



*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*

AB 2398 Manufacturers/Mills Quarterly Summary Report



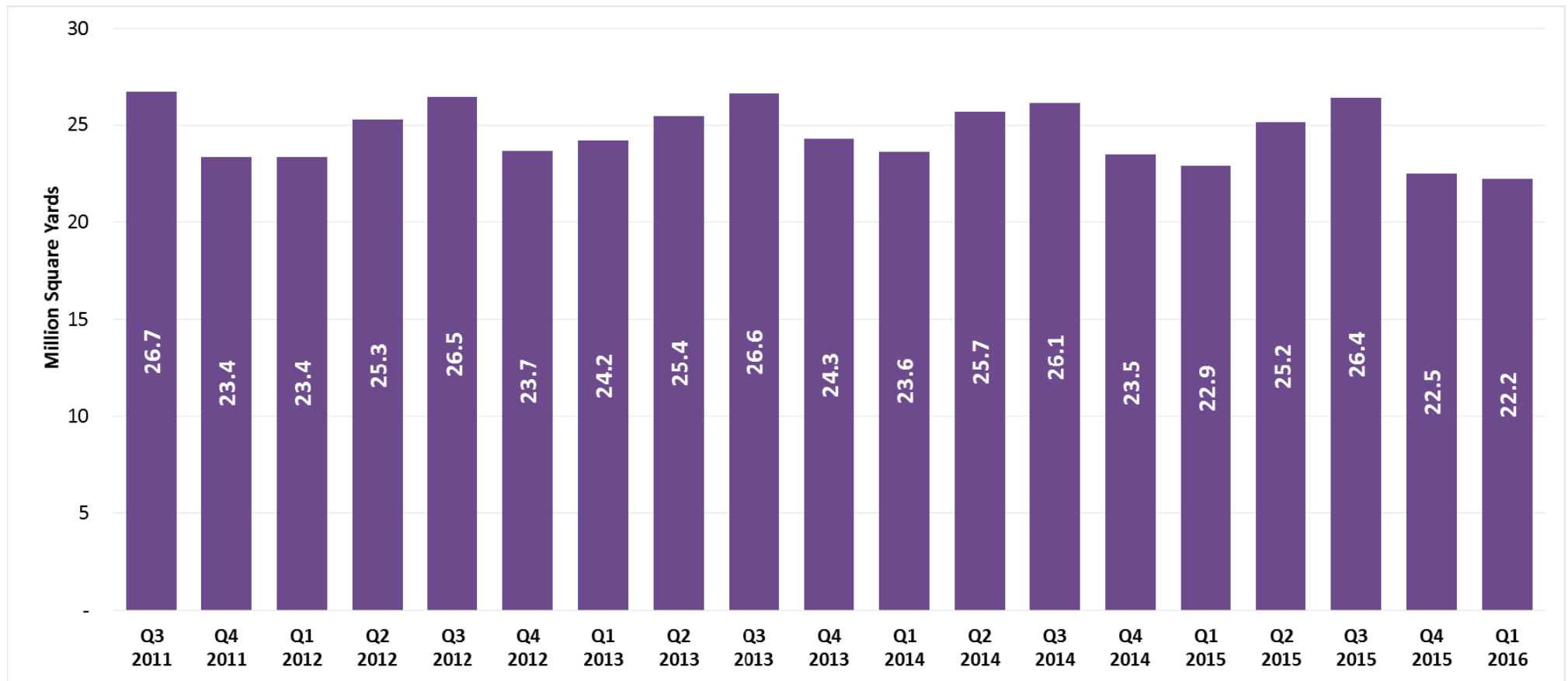
AB 2398 Mills' Summary

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

Cumulative SQYD sold: 467.1M
Cumulative Remittances: \$28.25M



Total CA Sales (Square Yards)



AB 2398

Processors Quarterly Report



Growth Bonus Summary

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

Tier 1 Growth Incentive Contributions (\$0.10/lb.)	
Total Type 1 Pounds for Quarter	6,965,684
Target Pounds for Growth Incentive	11,000,000
Over (Under) Target	(4,034,316)
Total Growth Incentive Pool	\$ -

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

Tier 2 Growth Incentive Contributions (\$0.10/lb.)	
Total Type 1 Pounds for Quarter	4,184,162
Target Pounds for Growth Incentive	2,000,000
Over (Under) Target	2,184,162
Total Growth Incentive Pool	\$ 218,416.20



Summary of Payouts Q1 2016

CSEs	
CSE Reporting Incentive	\$ 9,000
Tile REUSE	\$ 7,160
Broadloom REUSE	\$ -
Whole Carpet Shipped and Sold for recycling (CSEs)	\$ 33,370
Whole Carpet Shipped and Sold for recycling (Processors)	\$ 196,192
Total All CSEs Payouts	\$ 245,723
Processors	
Tile REUSE	\$ 12,562
Broadloom REUSE	\$ 3,322
Total Reuse Payout	\$ 15,884
Tile RECYCLED	\$ 39,694
Type 1 Standard Payout	\$ 656,875
Type 1 Growth Bonus Payout	\$ -
Total Type 1 Payout	\$ 696,568
Type 2 Filler/Other	\$ 5,064
Calcium Carbonate	\$ 13,600
Type 2 CAAF	\$ 39
Type 2 Kiln	\$ 27,428
Total Type 2 Payout	\$ 46,131
Total All Processor Payouts	\$ 758,584
Manufacturers	
Non-nylon Payouts	\$ 1,046,041
Growth Bonus Payout	\$ 218,416
Total All Manufacturers Payouts	\$ 1,264,457
Subsidy Payouts	
Total Subsidy Payouts for Quarter	\$ 2,268,763

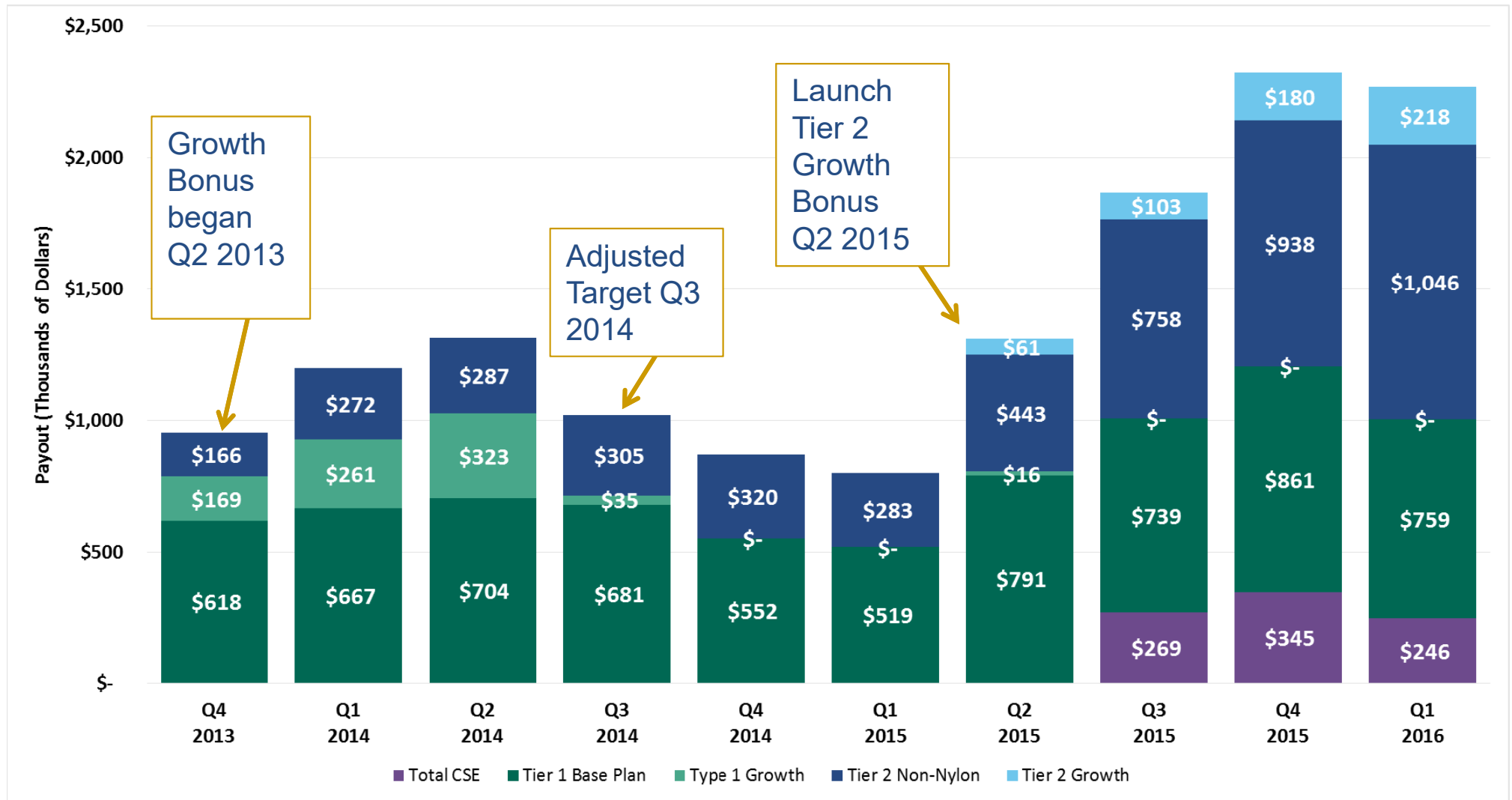


Summary of Expenses

Expenses	Q1 2016	Percentage
Subsidy Payouts	\$ 2,268,763	80%
CalRecycle	\$ 103,303	4%
CARE Administration Cost	\$ 247,771	9%
Education and Outreach	\$ 70,397	2%
Accounting and Legal	\$ 41,369	1%
Rural County	\$ 81,687	3%
Grants	\$ 29,099	1%
Total		
Total Expenses	\$ 2,842,388	100%

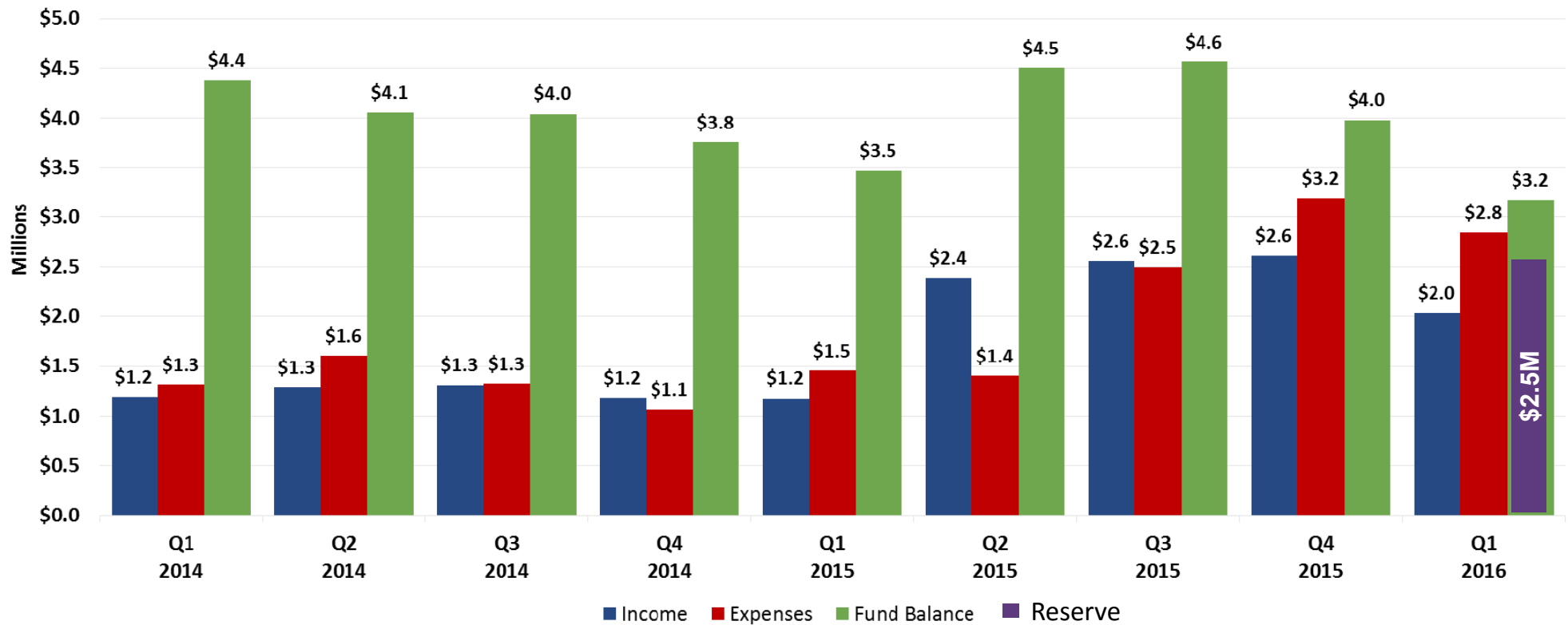


Payouts Over Time



Fund Balance Trends*

ACCRUAL BASIS

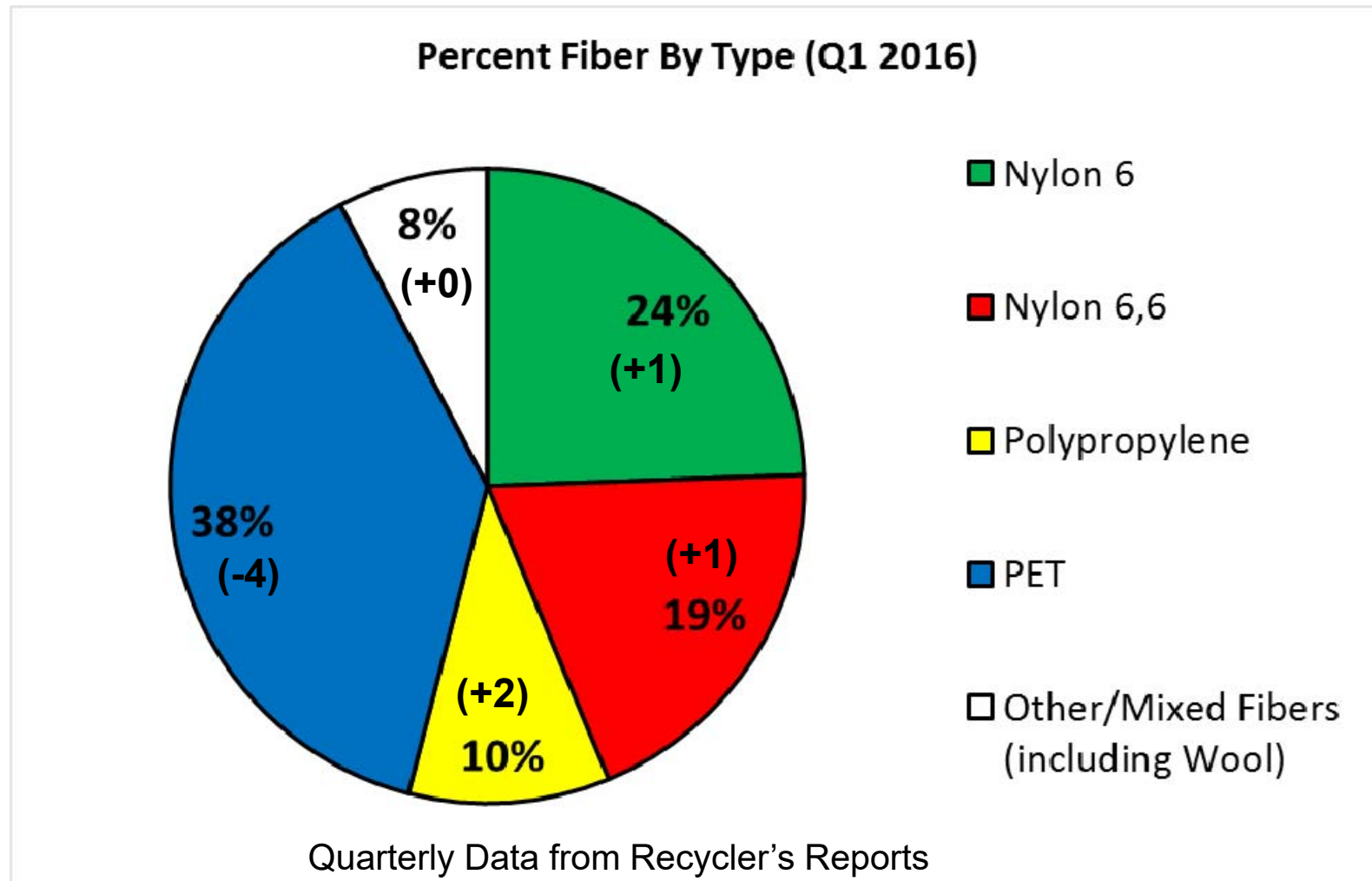


* Includes CSEs + Processors + Tier 2 Manufacturers

** 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.

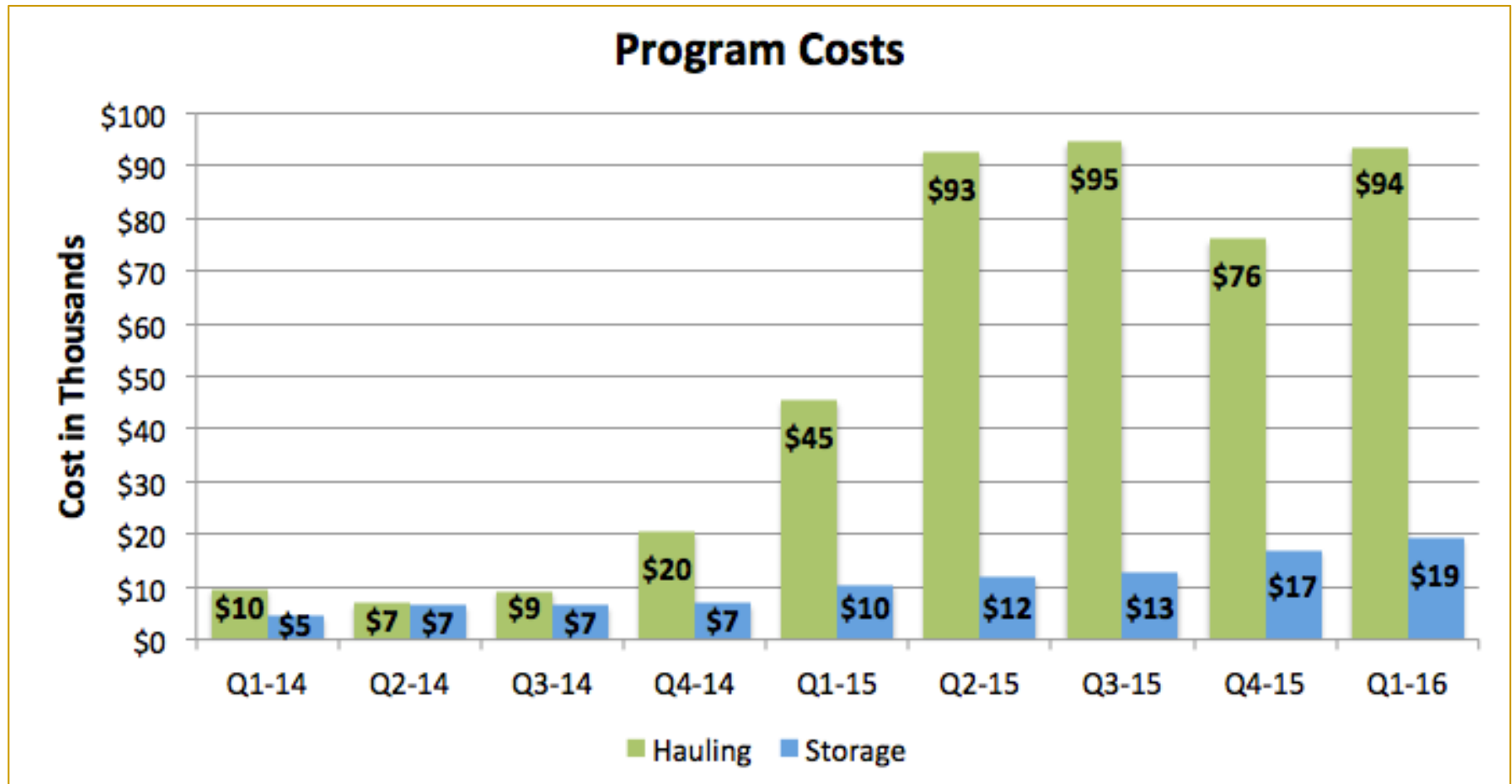


Collection Program Update

Q1 2016



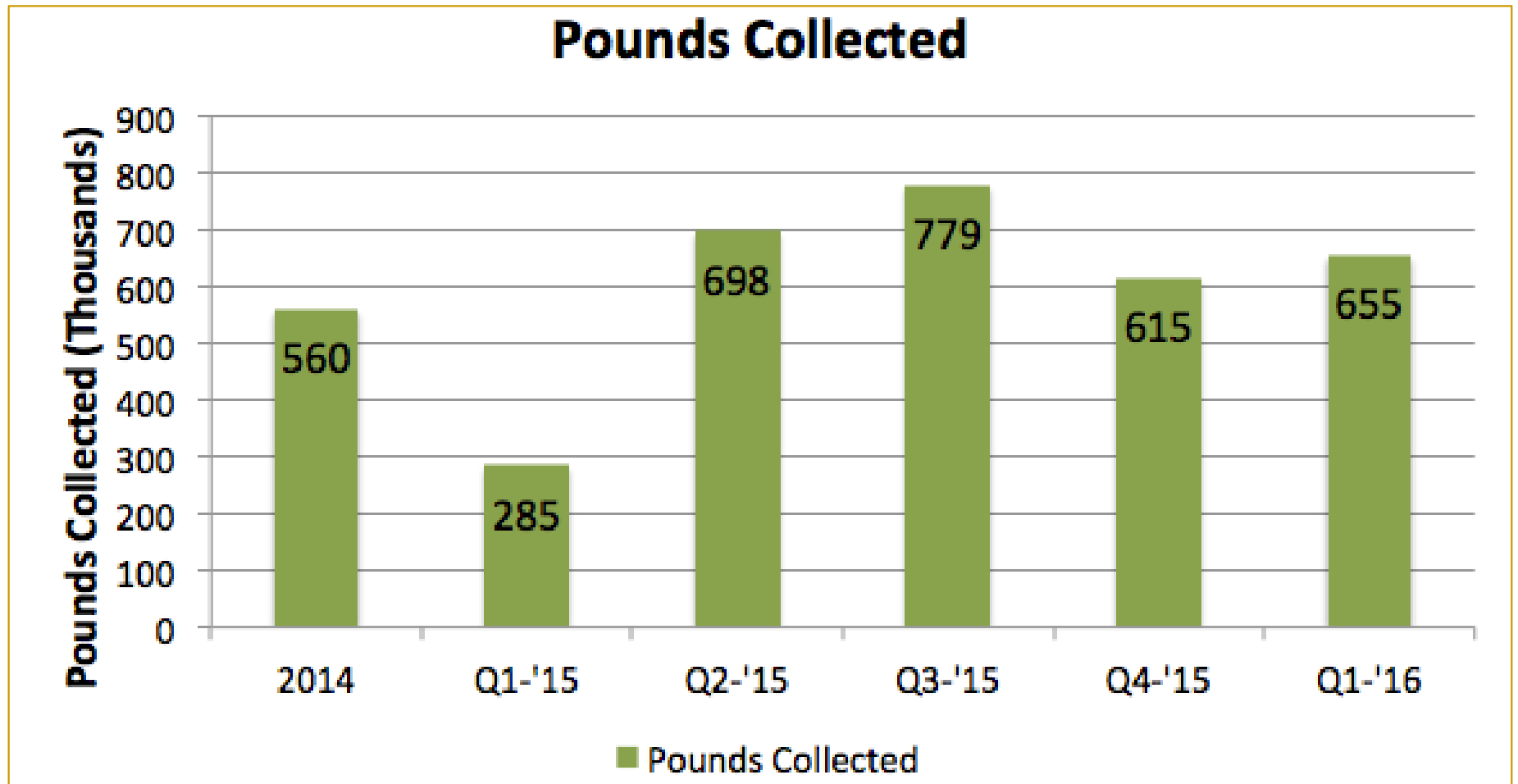
Program Cost Over Time



- ◆ Storage: 17% of Total Program Cost
- ◆ Hauling: 83% of Total Program Cost



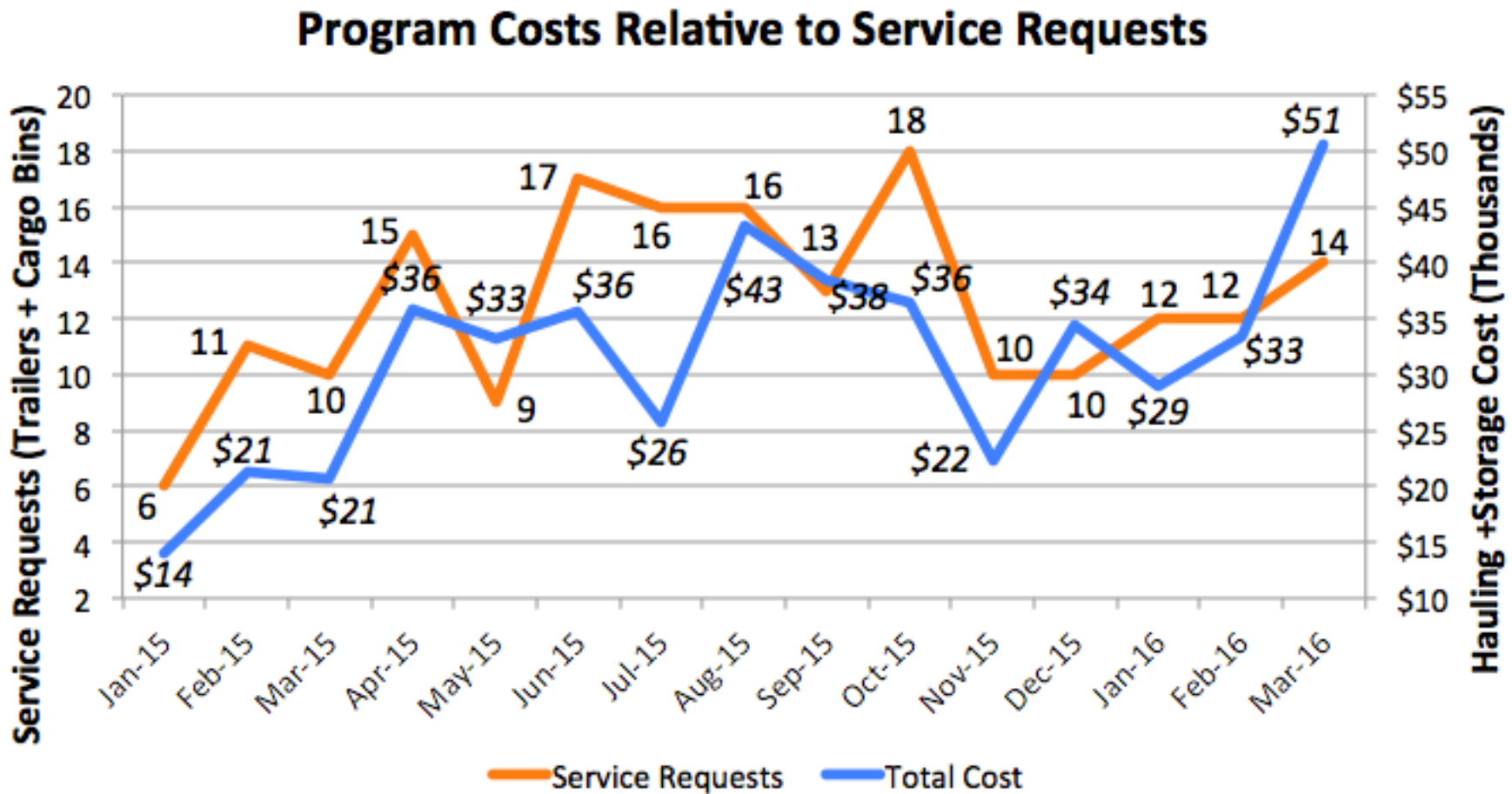
Pounds Collected



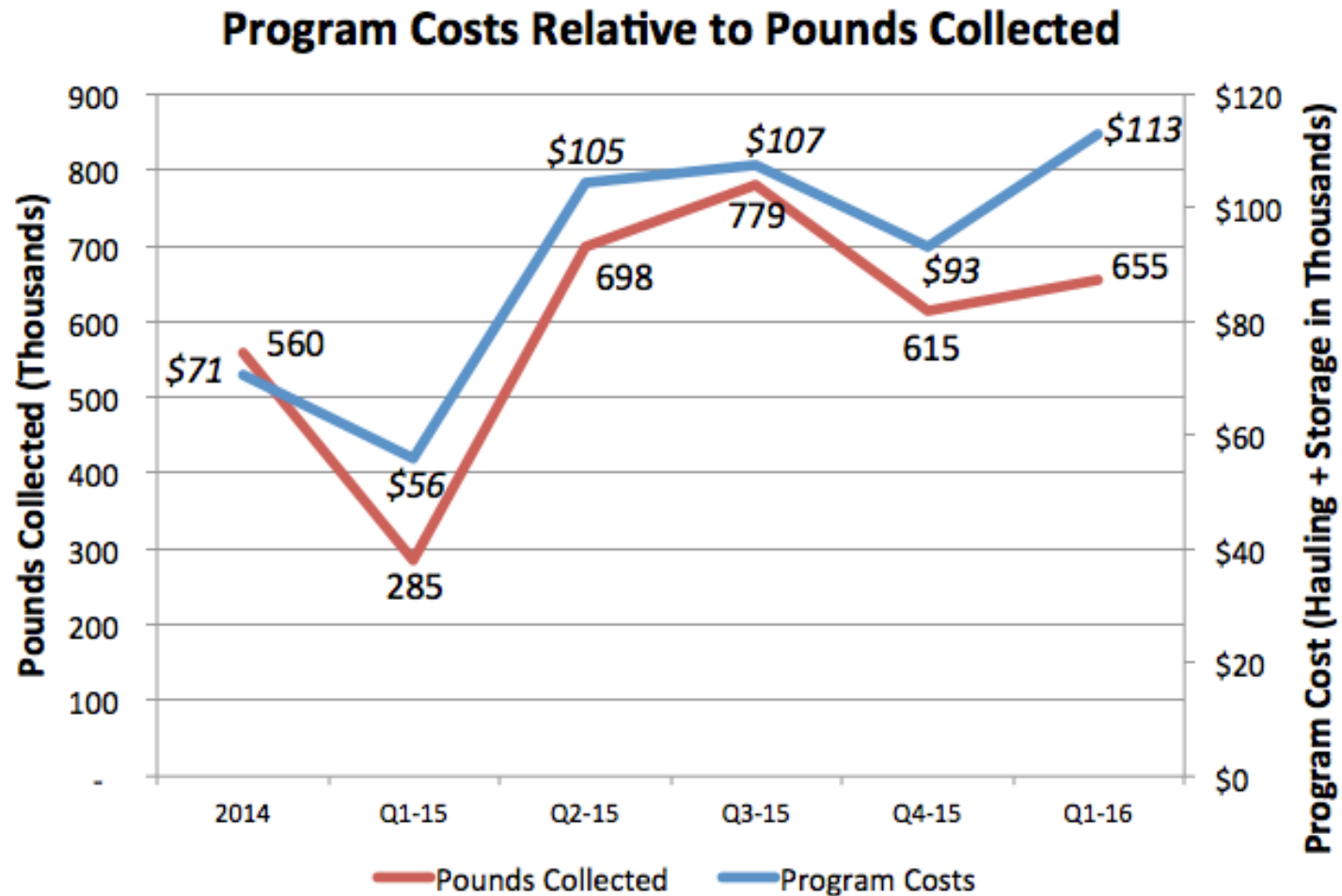
◆ Q1 2016 Pounds Collected: 27.5% of pounds collected in 2015



Costs Related to Service (Monthly)



Cost Relative to Pounds Collected



2014-2016 Data Summary*

Data Summary						
Data Collected	2014	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16
Hauling Cost	\$54	\$45	\$93	\$95	\$76	\$94
Storage Cost	\$24	\$10	\$12	\$13	\$17	\$19
TOTAL Cost	\$78	\$56	\$105	\$107	\$93	\$113
Cost/lb Collection	\$0.14	\$0.20	\$0.15	\$0.14	\$0.15	\$0.17
Cost/Capita	\$0.08	\$0.04	\$0.07	\$0.06	\$0.03	\$0.03
Pounds Collected (K lbs)	560	285	698	779	615	655

- 23 Participating Counties; 23 Collection Sites
- 4 additional collection sites anticipated in Q2 2016

* Numbers in thousands



Recommendations to SFOC



Recommendations for SFOC Approval

- 1) Approve CSE subsidy* (\$245.7K)
- 2) Approve Processor subsidy* (\$758.6K)
- 3) Approve Manufacturer subsidy (\$1,264.5K)
- 4) Approve Administrative reimbursements (\$573.6K)

Total Payout Q1: \$2,842.4K

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



End of Review

