
CARE Sustainable Funding Oversight Committee

Q3 2018 AB 2398 Summary &
Recommendations for Approval



Agenda

- ✓ Quarterly Overview of Results
- ✓ Manufacturers Report
- ✓ Quarterly Subsidy and Expense Payouts
- ✓ Drop-off Program Update
- ✓ Approval Requests
- ✓ Other Information (as required)



CARE's Executive Director's Message

Performance in Q3 2018 retreated from our strong Q2 results and can be attributed to two factors. First, the suspension of operations by a major recycler. We expect that operation to be back on line in late Q1 and recycled output pounds to flow in Q2. Second was loss of a major outlet for PC4. As a result, recycled output was down 7%. CA carpet sales were up slightly vs. Q2, but again reflect the consistent downward trend year over year. Overall sales were at their lowest Q3 level in the last 6 years. Gross collections were up again in Q3 over Q2 by >12%. We are also starting to see demand for N6 begin to grow albeit slowly. Finally, the Recycling Rate (14.9%) was down vs Q2 for the reasons listed above. Total expenses for the quarter were approximately \$4.8M with 73% of those funds going to the recyclers. Official notifications of an assessment increase to 35 cents/yard² effective January 1st have been transmitted after approval by CalRecycle.

CARE submitted its revised 5-Year Plan in August which was conditionally approved by CalRecycle on October 16th. CARE is currently working to address all conditions outlined in CalRecycle's Request for Approval (RFA). Resubmission of CARE's response to the RFA will take place on or before December 16th. As a result of the conditional approval, Cycle 2 grants are now being released. Unfortunately, over 15 months were lost in grant releases due to Plan approval delays and adversely impacts the drive for 24%.

The CA Annual Report for 2017 was submitted to CalRecycle on September 1st. At the regular monthly public hearing on October 16th, CalRecycle issued an informational update report. Since there was no approved Plan there were no findings issued and CalRecycle noted significant progress was made in 2017.

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

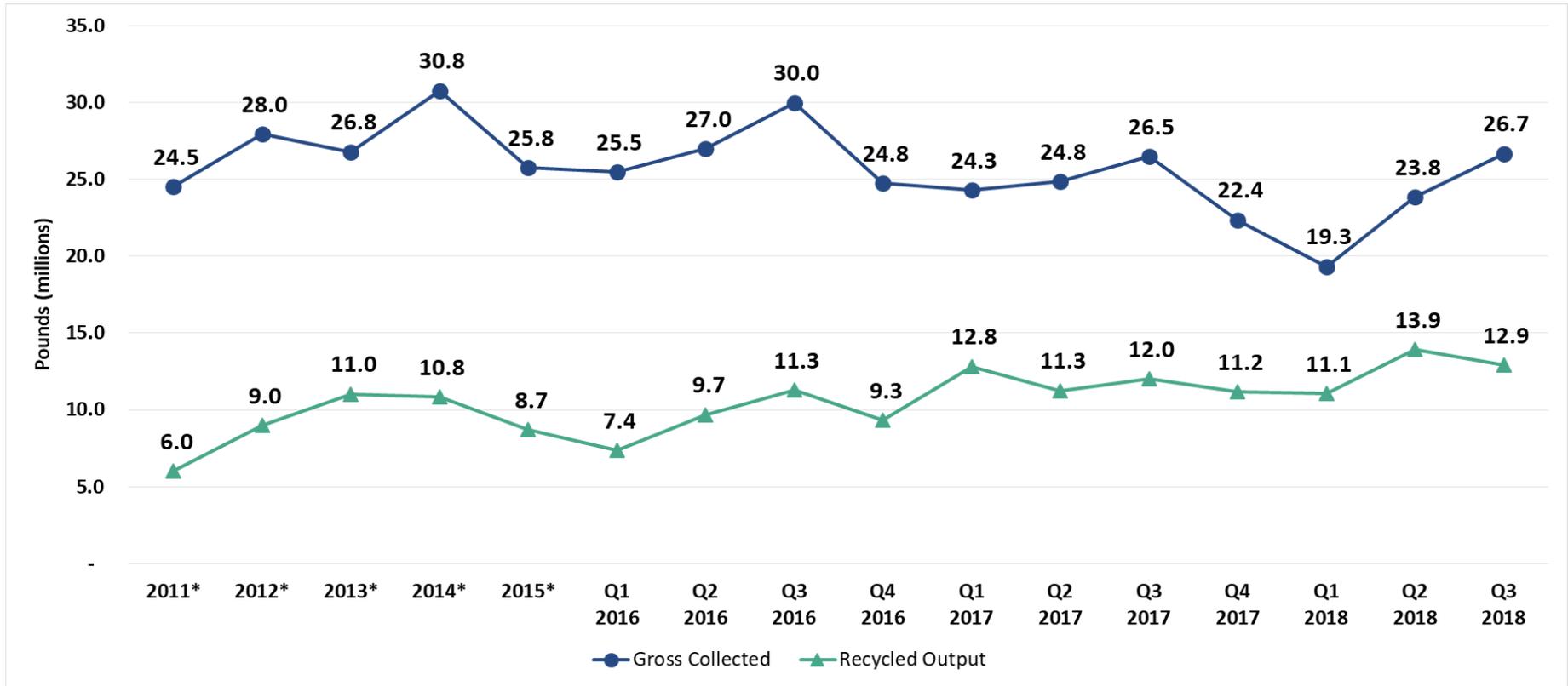
Bob Peoples, Ph.D., Executive Director, December 11, 2018



AB 2398 Summary Results



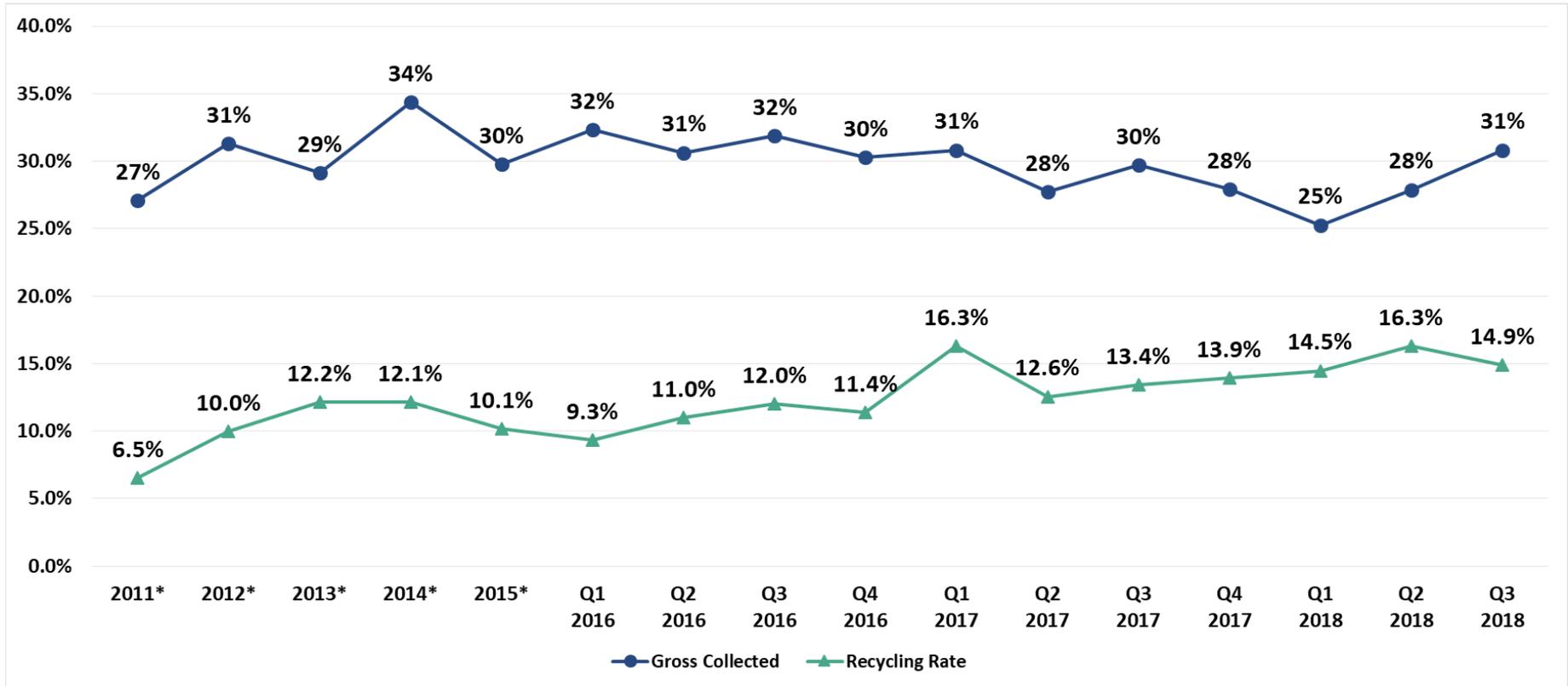
AB 2398 Performance Trends (millions of pounds)



*Average: 2011 is average of Q3 & Q4; 2012-2015 is 4 quarter average



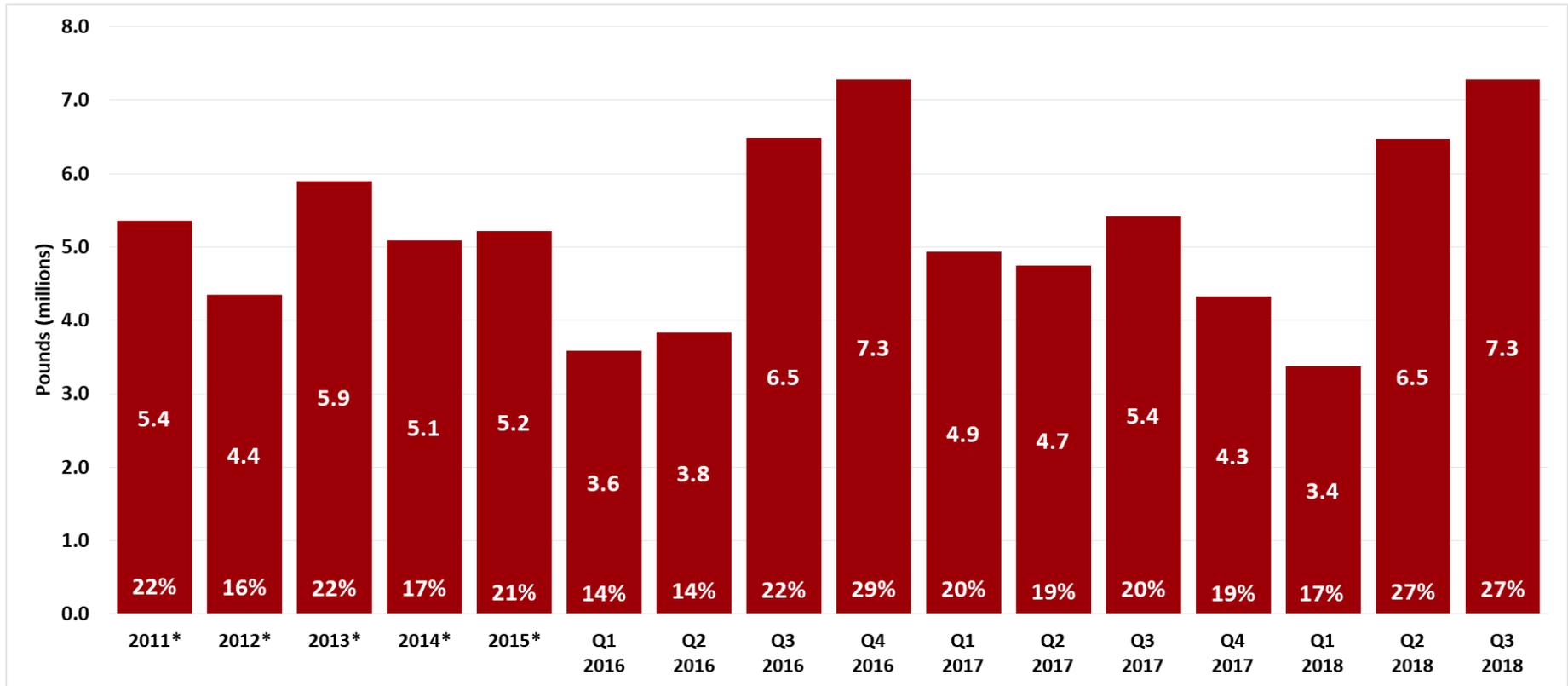
AB 2398 Performance Trends (percentage)



*Average: 2011 is average of Q3 & Q4; 2012-2015 is 4 quarter average



Gross Collected PCC Sent Back to Landfill**



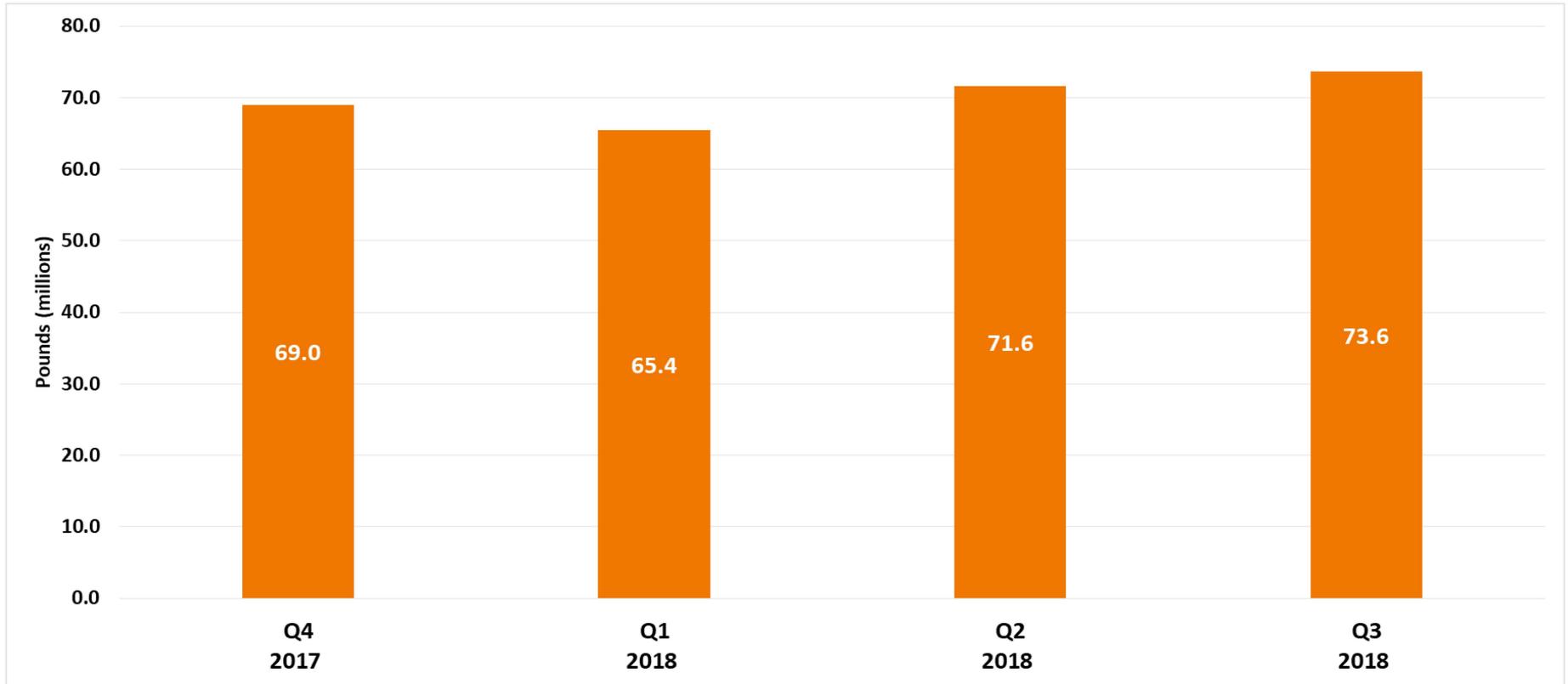
Q3-2018 Gross Collected: 26.7M pounds – 7.3M sent to landfill
 Cumulative to landfill: 150.7M lbs.



*Average: 2011 is average of Q3 & Q4; 2012-2015 is 4 quarter average

**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.

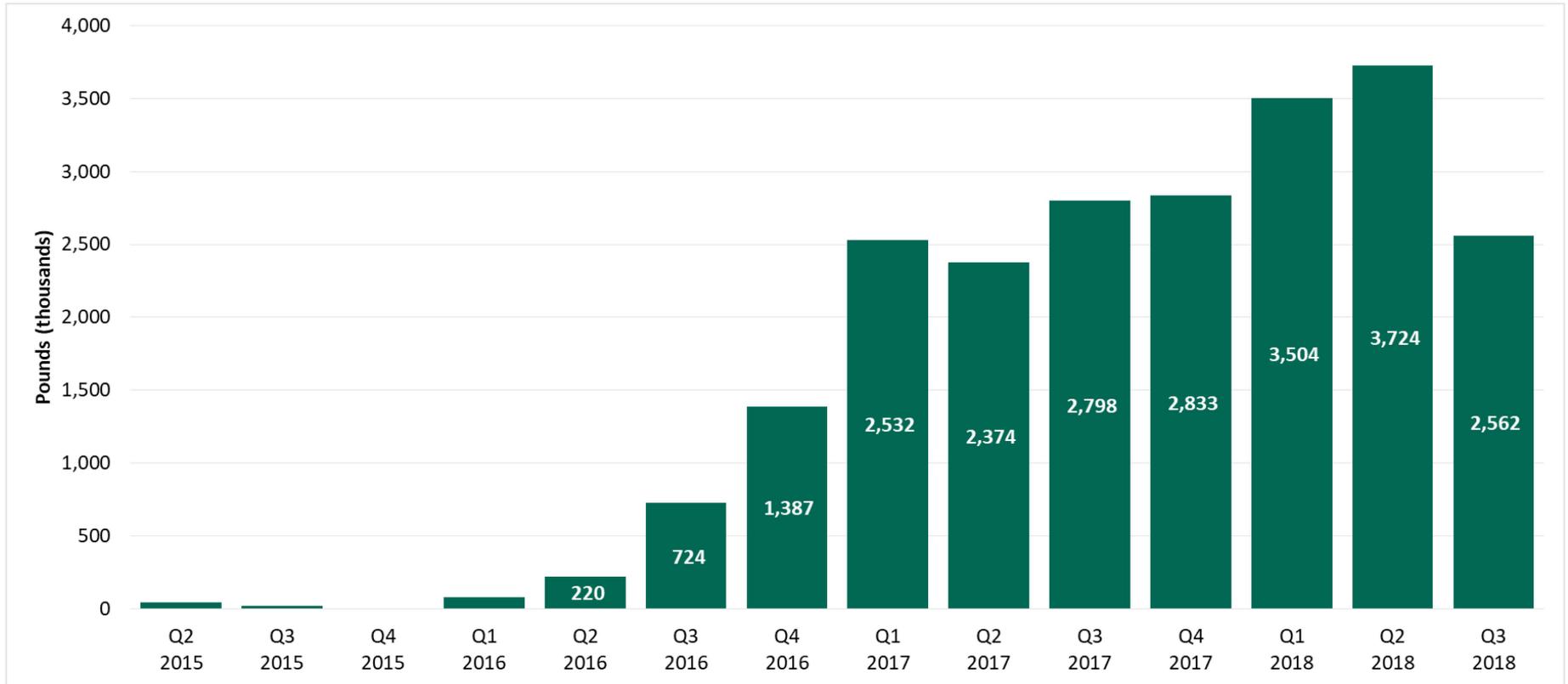
Disposal



% Change in Disposal: 3%



Calcium Carbonate (PC4) by Quarter



AB 2398 Manufacturers/Mills Quarterly Summary Report



AB 2398 Mills' Summary

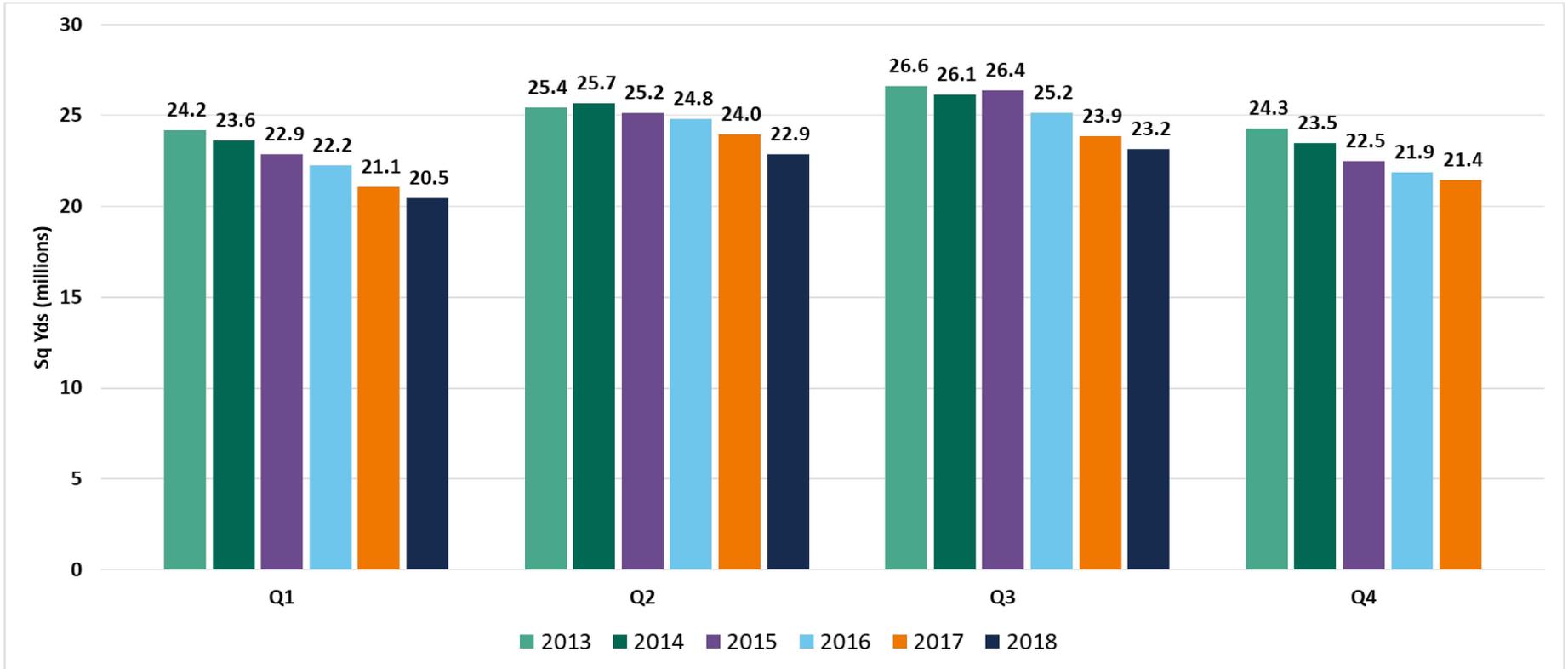
Mills - With Yearly Roll-up						
	2015	2016	2017	Q1 2018	Q2 2018	Q3 2018
# Mills Registered	78	75	76	73	74	71
# Mills Not Reporting	0	0	3	2	2	3
Non-response Rate	0%	0%	4%	3%	3%	4%
Remittance Collected						
Total Sq Yd Sold (millions)	96.9	94.1	90.4	20.5	22.9	23.2
Total Remittances (\$M)	\$ 8.60	\$ 16.60	\$ 22.72	\$ 5.12	\$ 5.72	\$ 5.79
Top 10 Remittances (>\$10K)	\$ 7.86	\$ 15.21	\$ 20.93	\$ 4.76	\$ 5.38	\$ 5.49
Top 10 Percentage of Total (Avg)	91%	91%	92%	93%	94%	95%

Removed: Godfrey Hirst, Woolshire, and Signature

Cumulative SQYD sold: 695.9M
 Cumulative Remittances: \$82.02M



Sales by Quarter



AB 2398

Quarterly Subsidy and Expense Payouts



Summary of Payouts Q3 2018

1

CSEs	
CSE Reporting Incentive	\$ 11,000
Tile Recycling or REUSE PILOT (CSEs)	\$ 7,724
Tile Recycling or REUSE PILOT (Processors)	\$ 3,132
Tile REUSE (CSEs)	\$ 12,639
Tile REUSE (Processors)	\$ -
Broadloom REUSE (CSEs)	\$ 1,130
Broadloom REUSE (Processors)	\$ -
Total Reuse Payout	\$ 13,769
Broadloom Shipped and Sold for recycling (CSEs)	\$ 133,158
Broadloom Shipped and Sold for recycling (Processors)	\$ 214,838
Adjustments	\$ -
Total All CSEs Payouts	\$ 383,621

2

Processors	
Total Reuse Payout	\$ 13,769
Tile RECYCLED	\$ 10,533
Type 1 Standard Payout	\$ 1,009,032
Total Type 1 Payout	\$ 1,019,564
Type 2 Filler/Other	\$ -
PC4 (Calcium Carbonate)	\$ 435,500
Total Type 2 Payout	\$ 435,500
Adjustments	\$ -
Total All Processor Payouts	\$ 1,455,064

3

Manufacturers	
Non-Nylon Payouts	\$ 1,562,400
Nylon 6 Payouts	\$ 78,705
Adjustments	\$ -
Total All Manufacturers Payouts	\$ 1,641,105

4

Subsidy Payouts

14 **Total Subsidy Payouts for Quarter** **\$ 3,479,791**



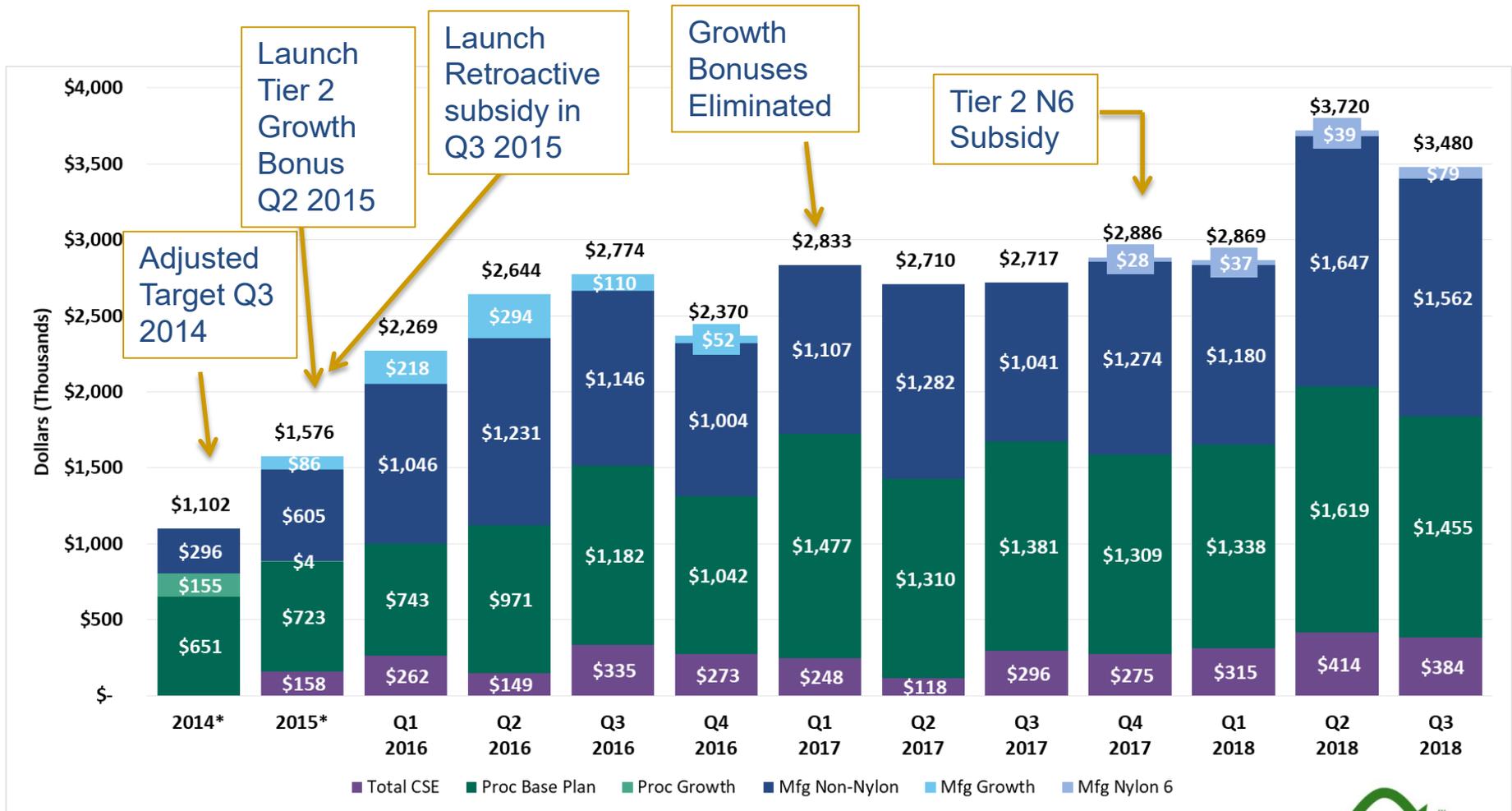
Summary of Expenses

Expenses	Q3 2018	Percentage
Subsidy Payouts Total	\$ 3,479,791	73%
Advisory Committee	\$ 8,183	0%
Education and Outreach	\$ 245,030	5%
Collections Program	\$ 232,792	5%
Grants	\$ 20,000	0%
Technical Assistance	\$ 226,281	5%
Program Expenses Sub-total	\$ 732,286	15%
CalRecycle	\$ 122,714	3%
CARE Administration Cost	\$ 7,570	0%
Direct Expenses	\$ 201,184	4%
Direct Support	\$ 126,443	3%
Accounting and Legal	\$ 124,421	3%
Admin Expenses Sub-total	\$ 582,332	12%
Program & Admin Expenses Total	\$ 1,314,618	27%
Total		
Total Expenses	\$ 4,794,409	100%



All data from Melanie confirmed 10/23/18

Payouts Over Time



*Average: 2014-2015 is 4 quarter average

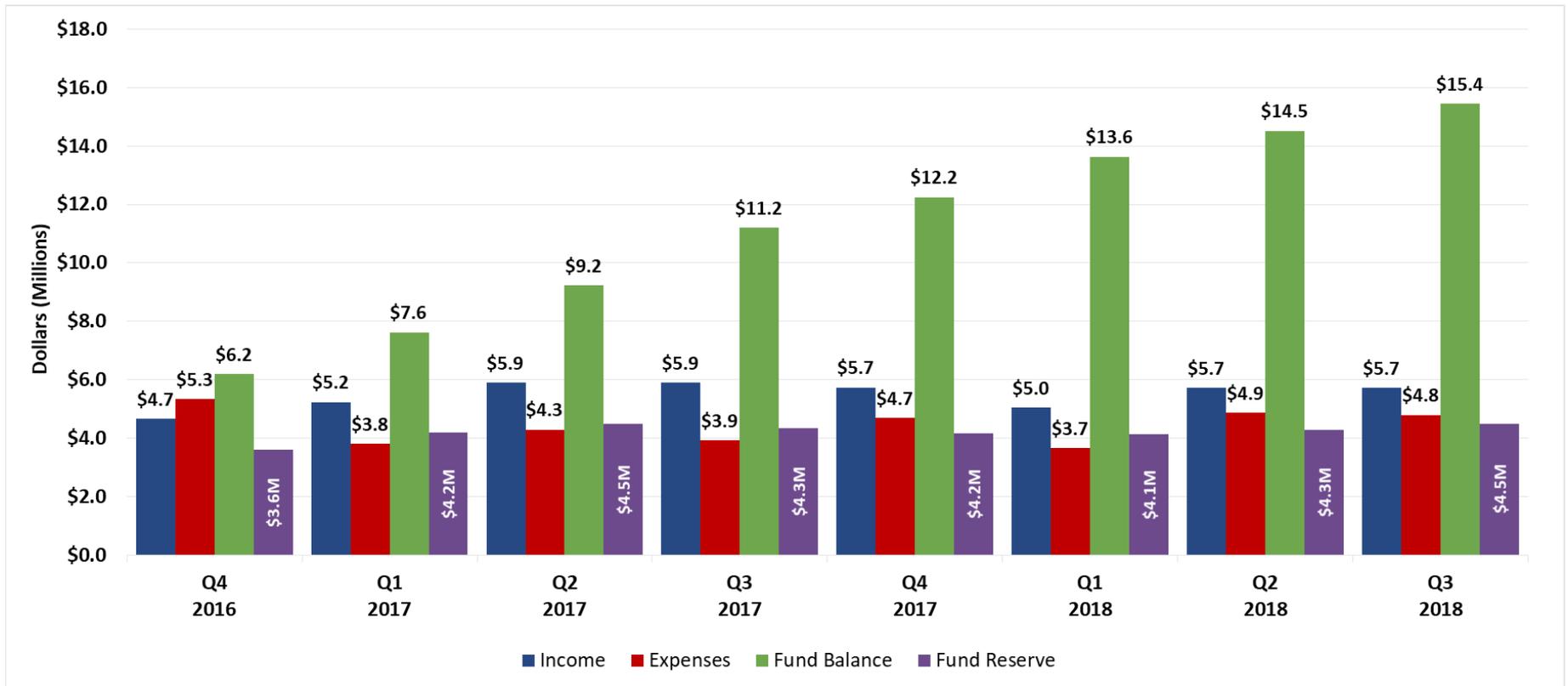
NOTE: All REUSE payouts are now counted under the CSE category. Previously, they were split between the CSE and Processor categories respectively. Historical data has been adjusted to reflect this change to accurately show trend lines. The quarterly total payout numbers were not changed – just re-categorized.



Fund Balance Trends

ACCRUAL BASIS

Based on unaudited numbers – adjustments may be made after audit closes



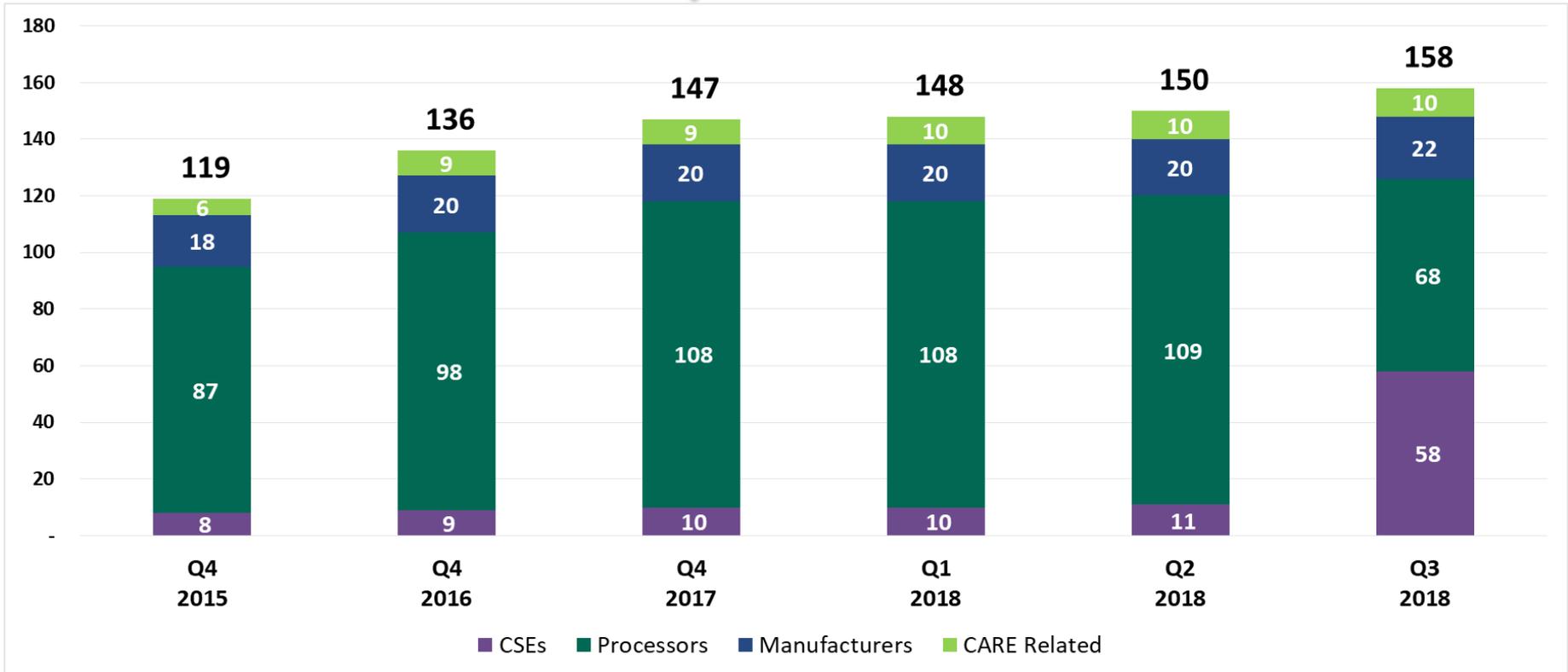
Reserve = average of the last 4 quarter payouts (effective Q3-2015)



CA Employees (FTEs*)

Carpet Solutions Shutdown Dec. '17

* Fulltime equivalent employees



Note: Accounting for FTEs was modified in Q3 2018. All CSE related FTEs are now listed in that category. In the past, if a processor was also a CSE, the FTEs were aggregated under the processor bar. There is just a more detailed and accurate allocation.



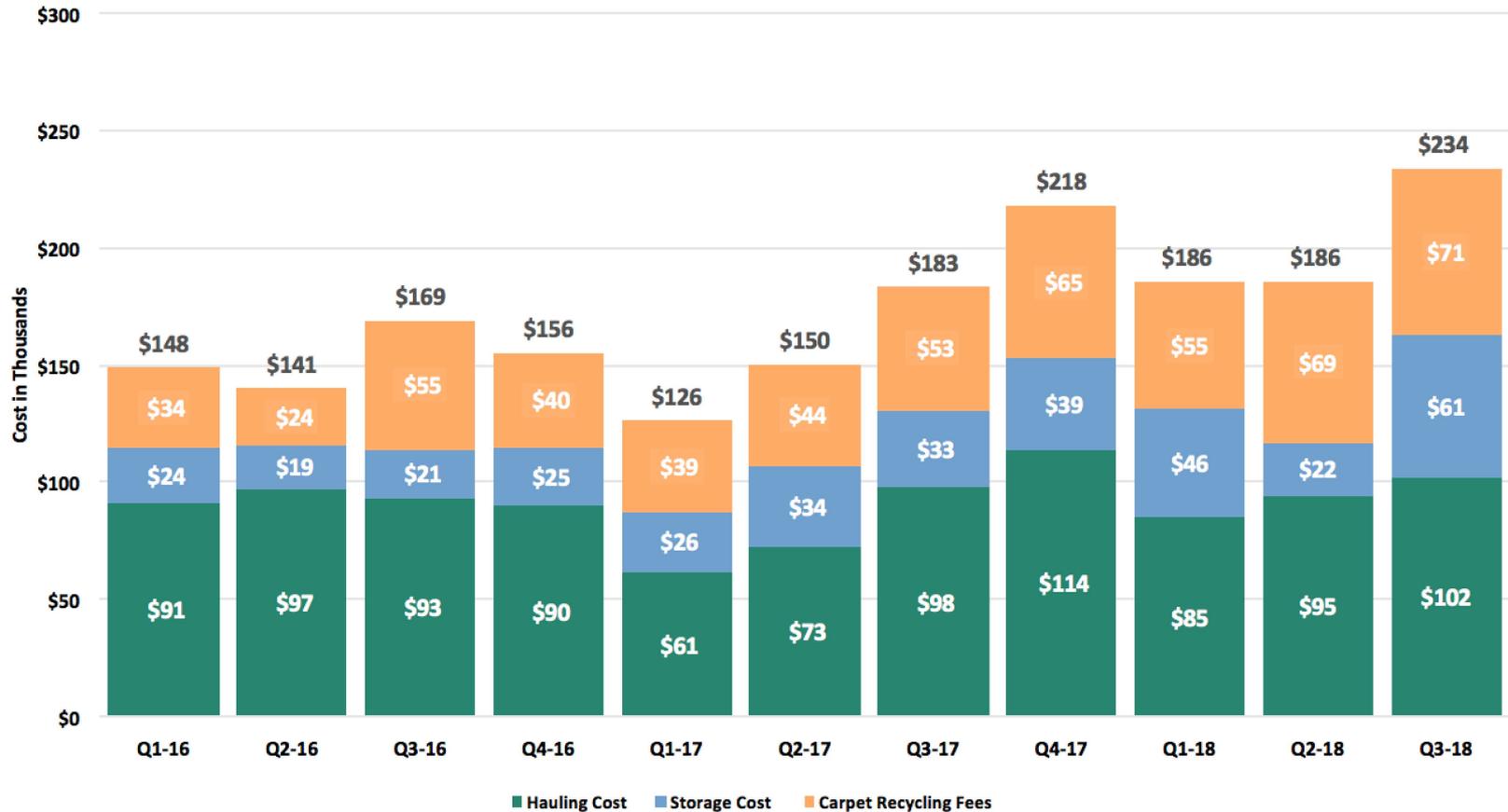
Drop-Off Site Program Update

Q3 2018



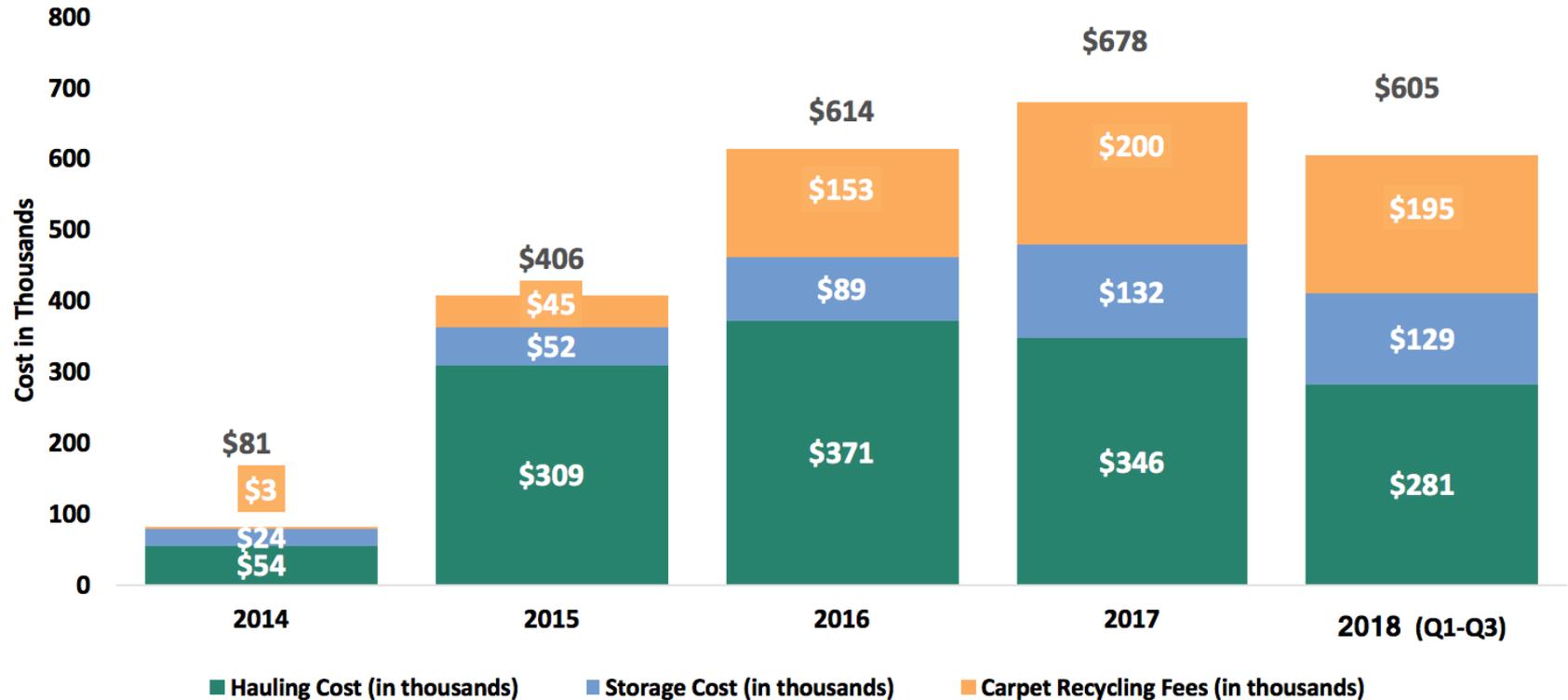
Drop-Off Site Total Program Costs

Drop-off Site Program - Quarterly Costs



Annual Cost Comparison

Drop-off Site Program - Annual Costs

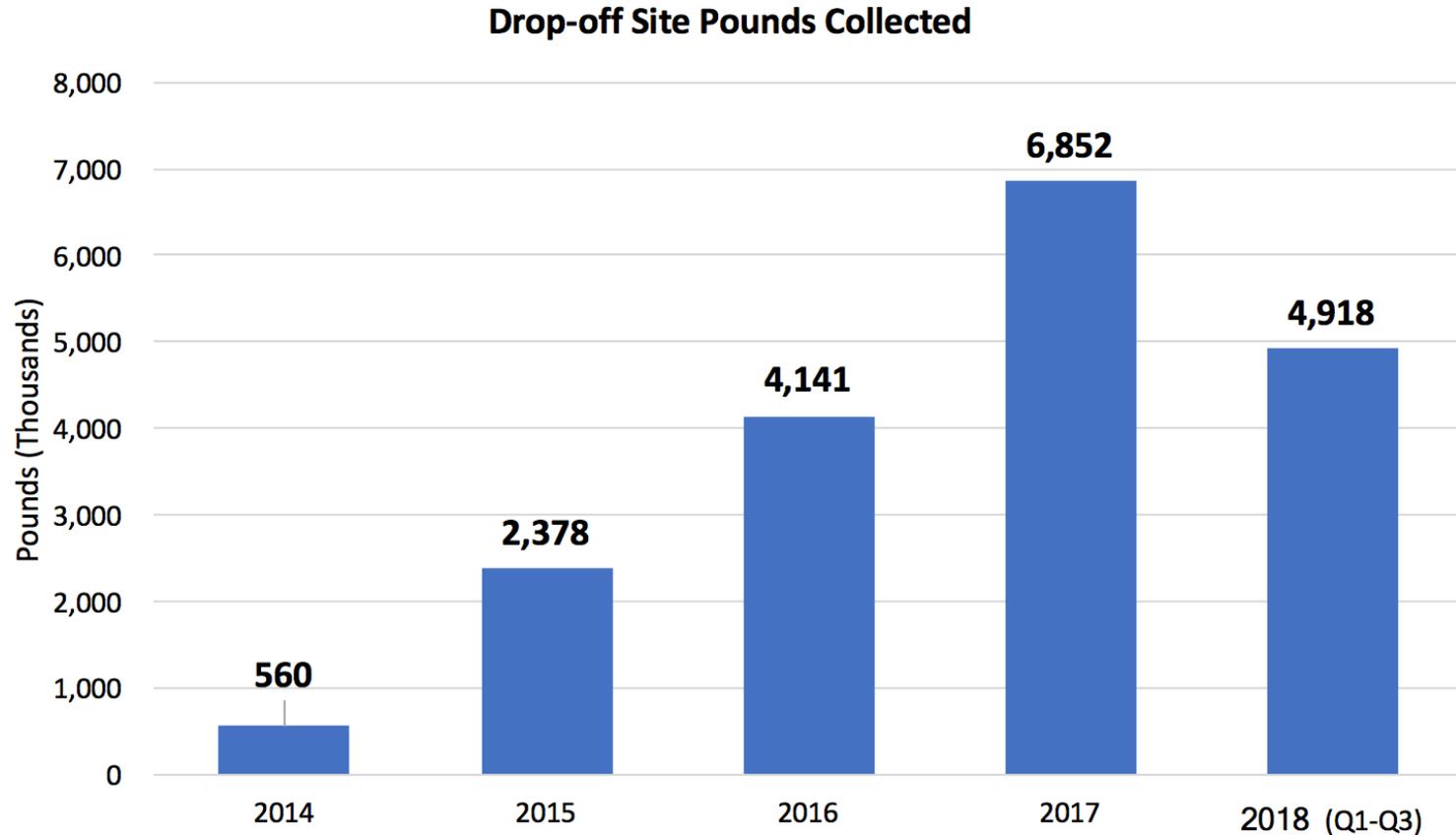


- **Hauling:** 44% of Q3 2018 Total Program Cost
- **Storage:** 26% of Q3 2018 Total Program Cost
- **Carpet Recycling Fees*:** 30% of Q3 2018 Total Program Cost

**"Carpet Recycling Fees" was referred to as "Tipping Fees" in previous slide decks



Material Collected by CARE Drop-Off Sites (Annual)



- Q1- Q3 2018 lbs collected: **72% of total 2017 lbs collected**
- Q3 2018 lbs collected: **43% increase over Q3 2016 lbs collected;**
0% increase over Q3 2017 lbs collected



Drop-Off Site Program Summary

Annual Data Summary					
Data Collected	2014	2015	2016	2017	2018 (Q1-Q3)
Hauling Cost (in thousands)	\$54	\$309	\$371	\$346	\$281
Storage Cost (in thousands)	\$24	\$52	\$89	\$132	\$129
Carpet Recycling Fees (in thousands)	\$3	\$45	\$153	\$200	\$195
TOTAL Cost (in thousands)	\$81	\$406	\$614	\$678	\$605
Average Cost/lb Collection	\$0.14	\$0.17	\$0.15	\$0.10	\$0.12
Average Cost/Capita*	\$0.08	\$0.05	\$0.03	\$0.005	\$0.006
Pounds Collected (K lbs)	560	2,378	4,141	6,852	4,918
Private Drop-Off Sites	Not Available	201	200	216	122
CARE Drop-Off Sites	14	23	32	44	49

- **49 operational CARE Drop-Off Sites in 43 CA counties**
- **122 operational private sites** reported at the end of Q3

*Cost/Capita uses updated Census information as available



Recommendations to SFOC



Recommendations for SFOC Approval

1) Approve CSE subsidy*	\$383.6 K
2) Approve Processor subsidy*	\$1,455.1 K
3) Approve Manufacturer subsidy	\$1,641.1 K
4) Approve Program costs	\$732.3 K
5) Approve Administrative costs	\$582.3 K
Total Payout:	\$4,794.4 K

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



End of Review

