

CARE Sustainable Funding Oversight Committee

Q4 2018 AB 2398 Summary &
Recommendations for Approval

Updated 2/20/19 v1



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

CARE submitted its revised and conditionally approved 5-Year Plan in December and can now report that Plan was **fully approved** by CalRecycle on February 20, 2019.

Data indicated Q4 was the weakest quarter on record for sales performance. This result continues the steep downward cycle for sales into CA. Total 2018 sales were 86M yd2 while the original budget was 90M yd2. This budget shortfall equates to a \$500,000 lower revenue vs budget for the full year. While not insignificant, it does not create a concern as the payouts for subsidies are also below the original budget. Finally, the assessment is set to increase to 35 cents/yd2 effective January 1, 2019. Thus, from a cash flow perspective the fund balance is still strong and fully funded.

Clearly the suspension of operations by a major manufacturer and the loss of a significant, high-volume outlet for PC4 has taken a toll on recycled output in 2018. While we anticipate start-up and demand to come back in Q2 for the manufacturer, there is no guarantee at this time. The good news is that the loss of a major PC4 outlet has now been replaced and should be fully on line for 2019.

The rate of gross collections was up again in Q4 over Q3 driven in part of a growing demand for N6. Our Q4 Recycling Rate (15.6%) was up vs Q3 due in part to record low sales in the quarter. Total expenses for the quarter were approximately \$4.8M or flat vs Q3 with 60% of those funds going to the recyclers along with initiation of Grant Cycle 2 payouts.

CARE is currently working to address all conditions and actions outlined in the newly approved 5-Year Plan.

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

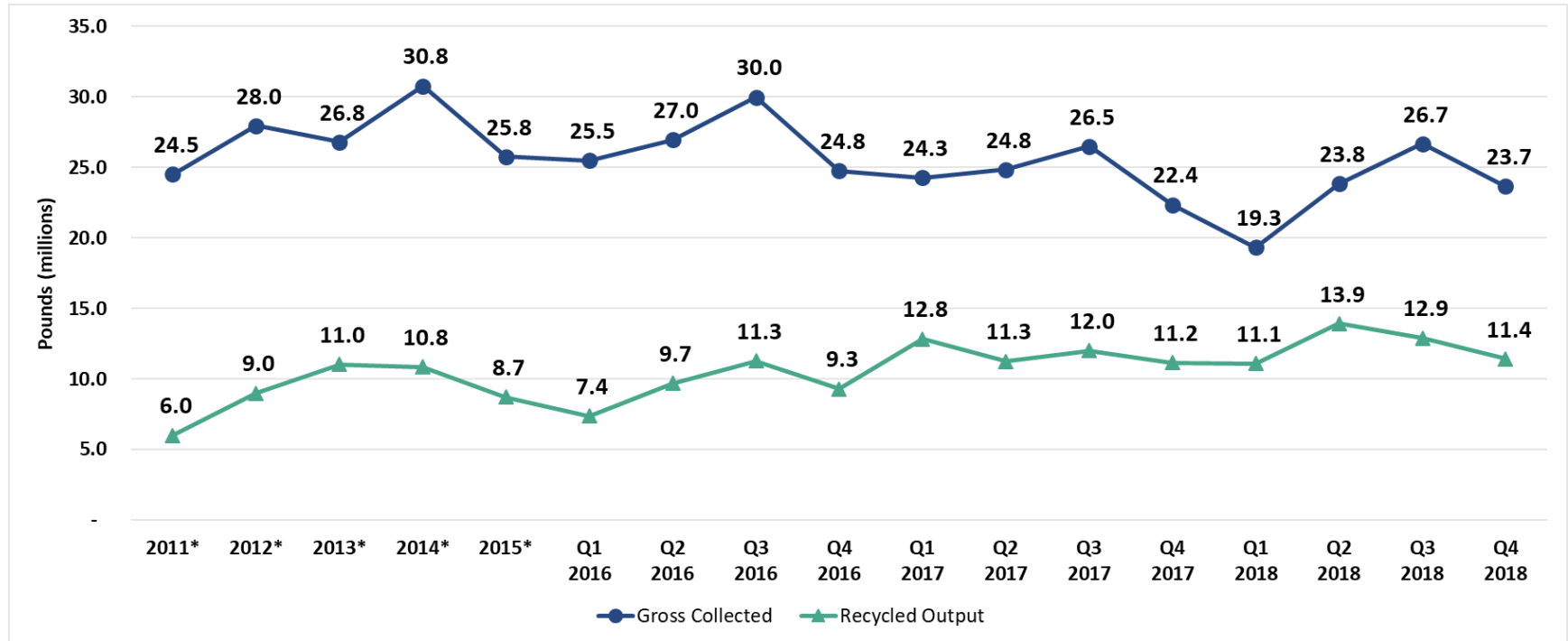
Bob Peoples, Ph.D., Executive Director, March 21, 2019



AB 2398 Summary Results



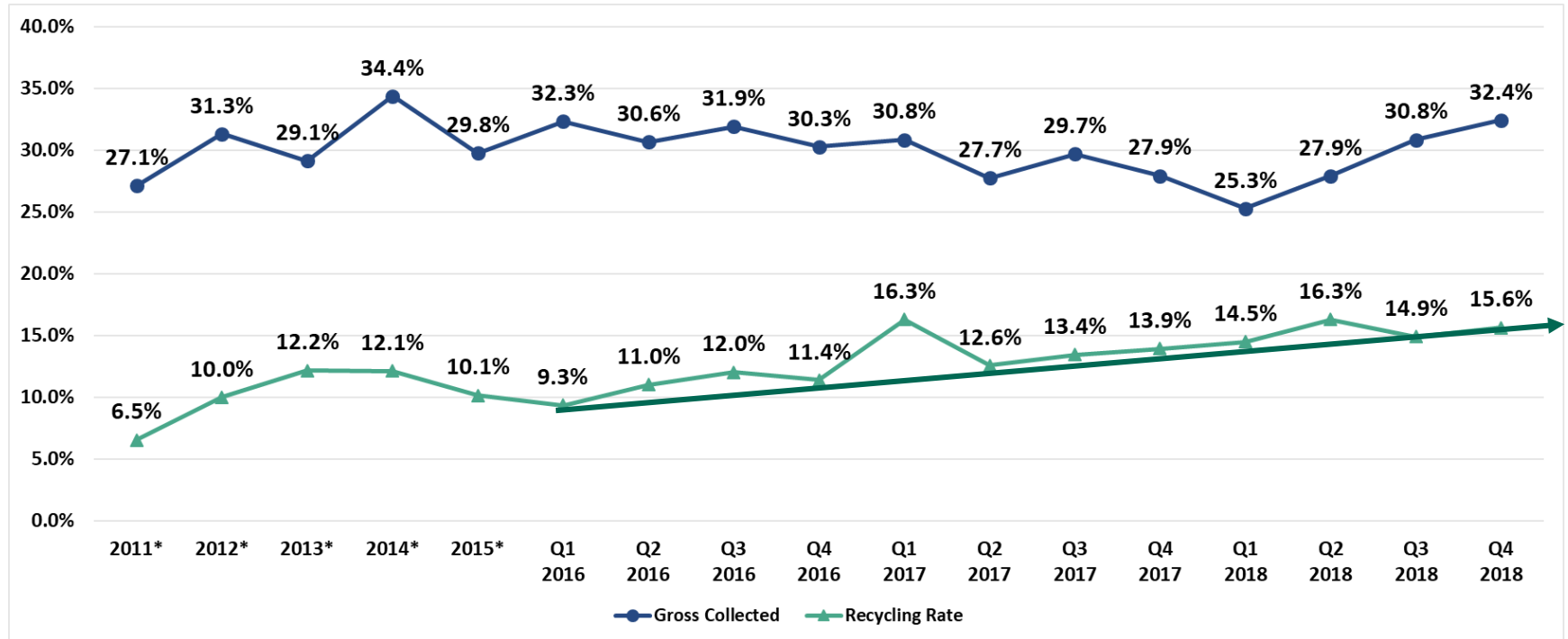
AB 2398 Performance Trends (millions of pounds)



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



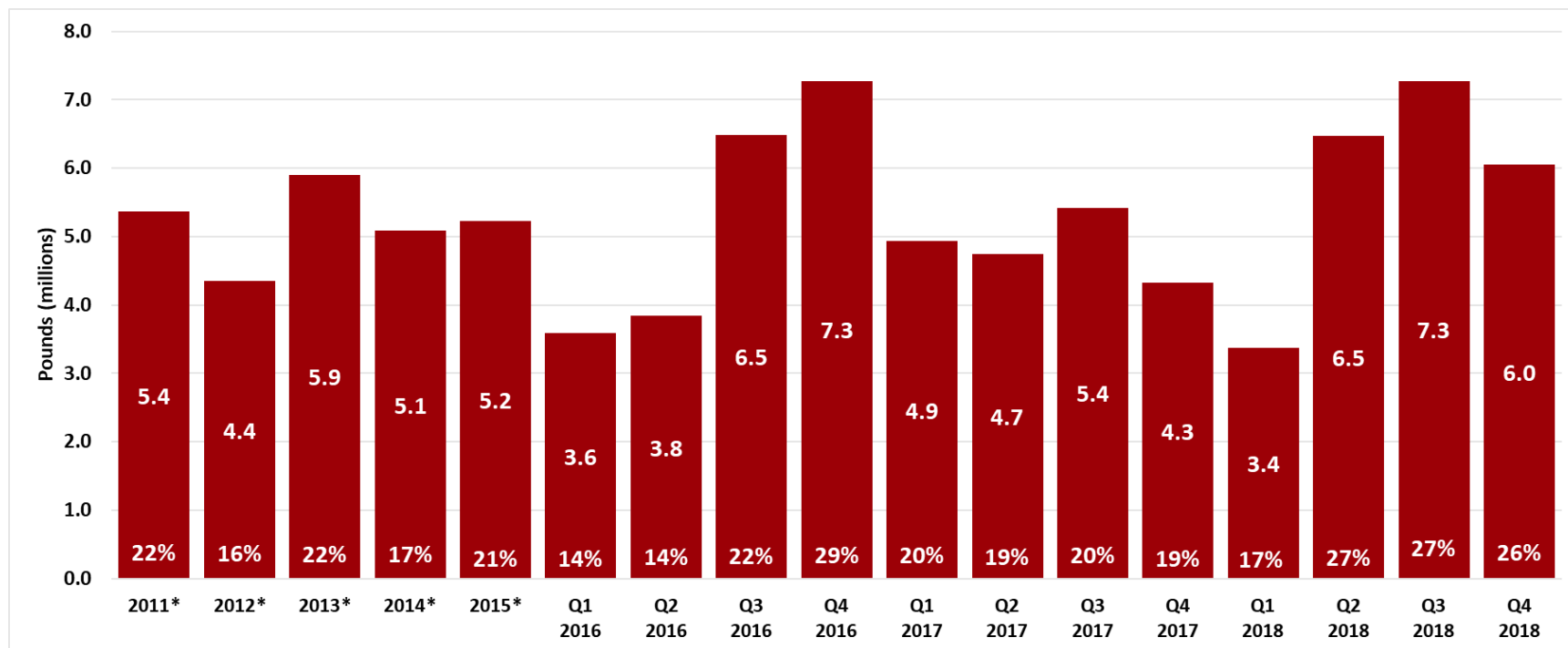
AB 2398 Performance Trends (percentage)



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



Gross Collected PCC Sent Back to Landfill**



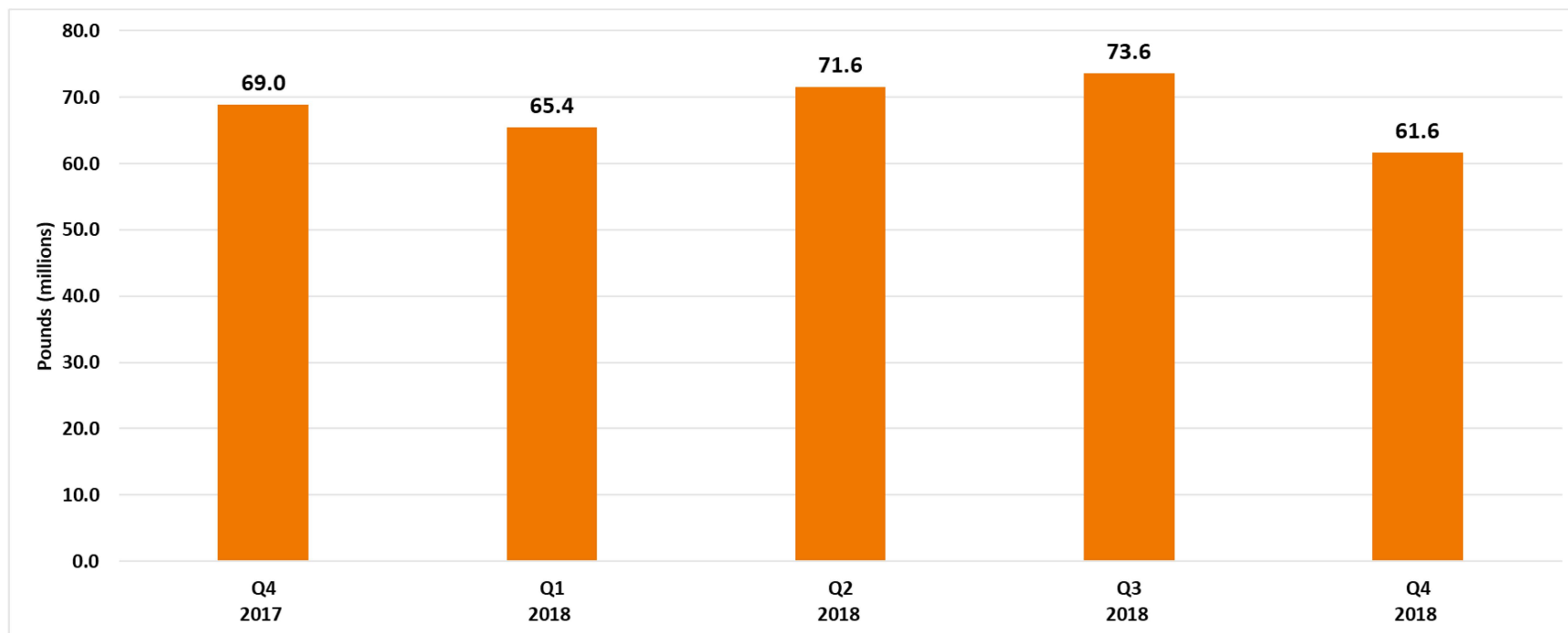
Q4-2018 Gross Collected: 23.7M pounds – 6.0M sent to landfill
Cumulative to landfill: 156.7M lbs.

*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.



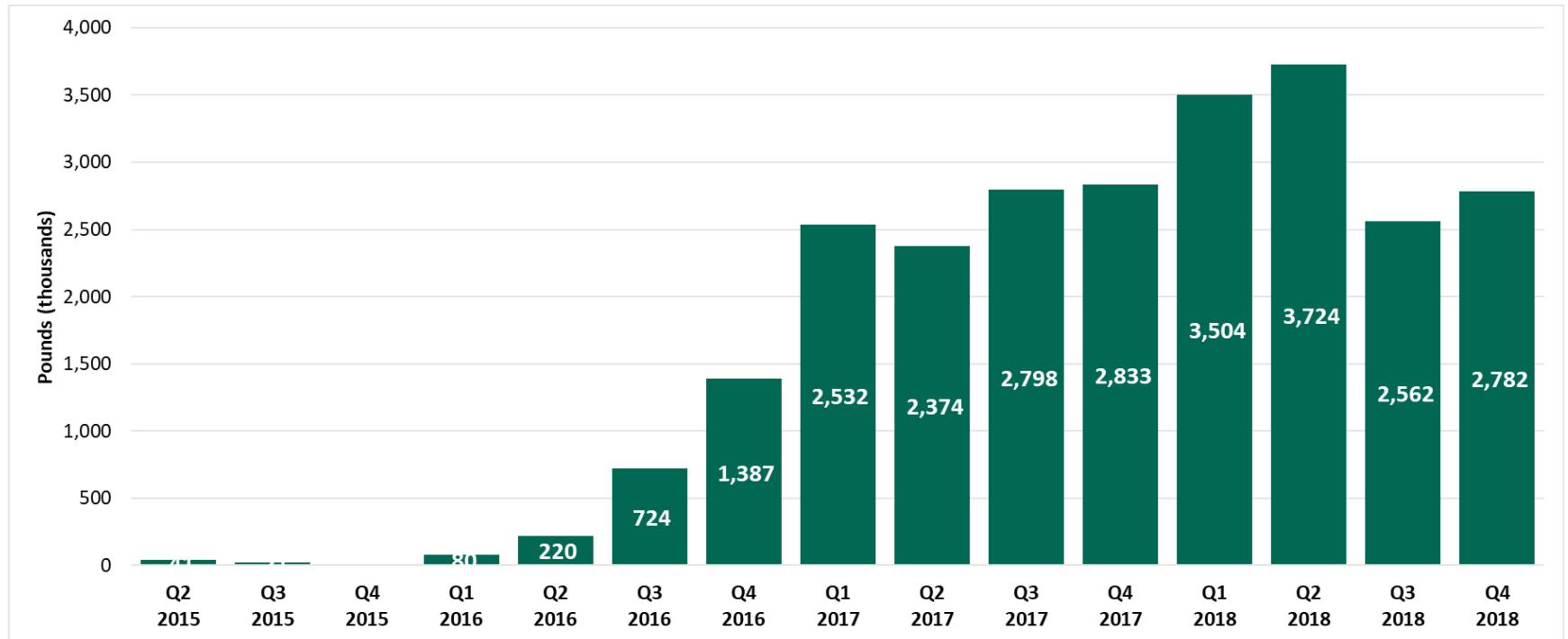
Disposal



% Change in Disposal: -16%



Calcium Carbonate (PC4) by Quarter



AB 2398 Manufacturers/Mills Quarterly Summary Report



AB 2398 Mills' Summary

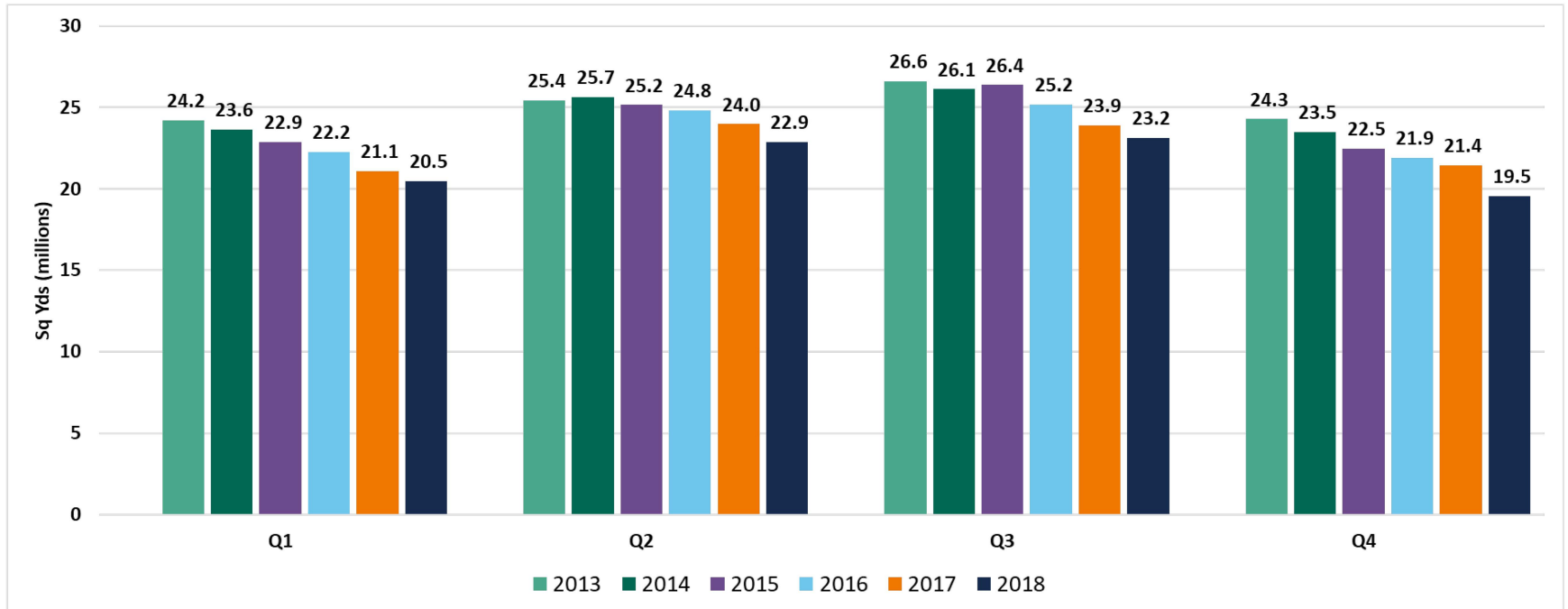
Mills - With Yearly Roll-up							
	2015	2016	2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
# Mills Registered	78	75	76	73	74	71	71
# Mills Not Reporting	0	0	3	2	2	3	2
Non-response Rate	0%	0%	4%	3%	3%	4%	3%
Remittance Collected							
Total Sq Yd Sold (millions)	96.9	94.1	90.4	20.5	22.9	23.2	19.5
Total Remittances (\$M)	\$8.60	\$16.60	\$22.72	\$5.12	\$5.72	\$5.79	\$4.89
Top 10 Remittances (>\$10K)	\$7.86	\$15.21	\$20.93	\$4.76	\$5.38	\$5.49	\$4.60
Top 10 Percentage of Total (Avg)	91%	91%	92%	93%	94%	95%	94%

Cumulative SQYD sold: 715.4M

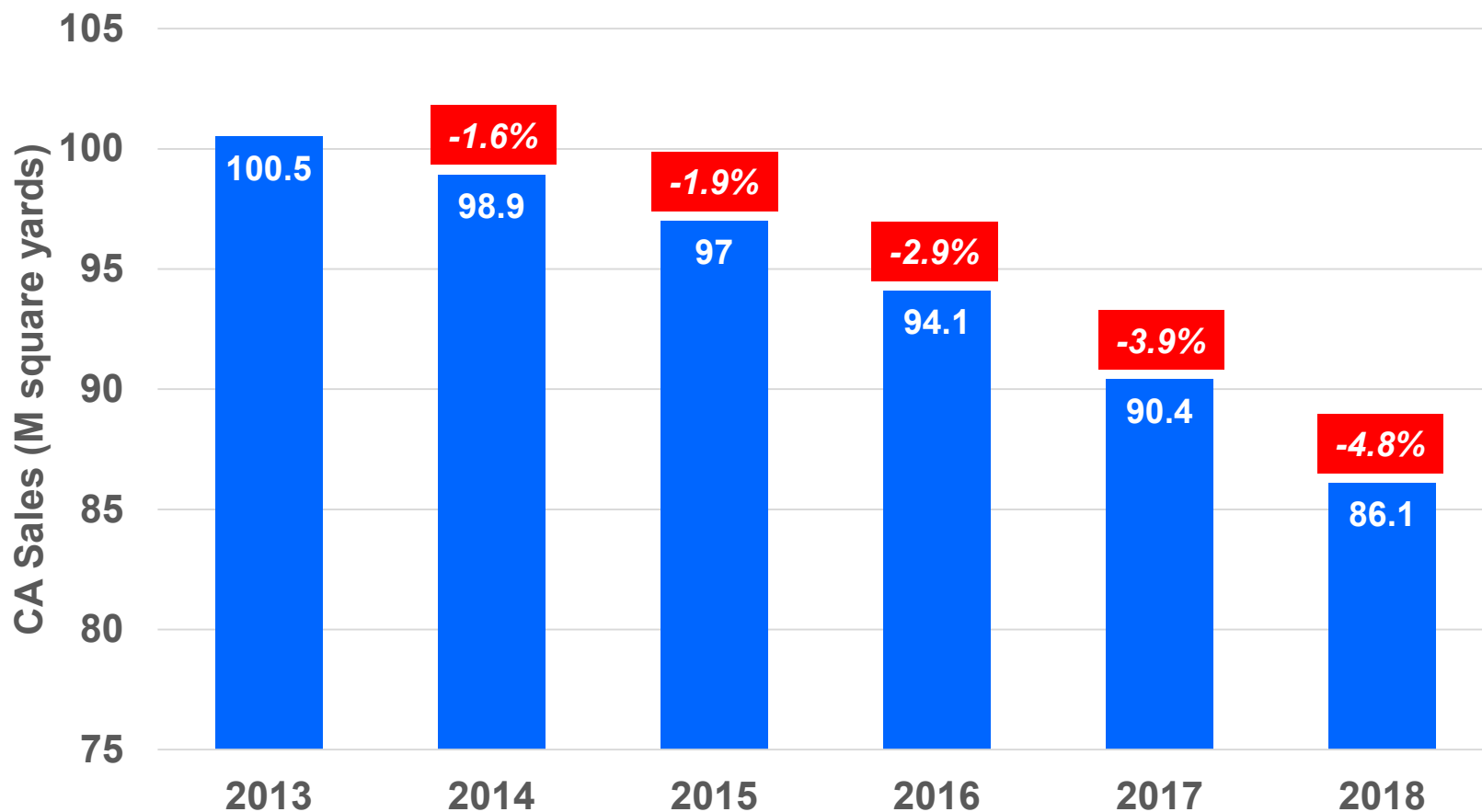
Cumulative Remittances: \$86.91M



Sales by Quarter



CA Sales by Year



CA sales Decline n Rate



AB 2398

Quarterly Subsidy and Expense Payouts



Summary of Payouts Q4 2018

1

CSEs		
CSE Reporting Incentive	\$	10,000
Tile Recycling or REUSE PILOT	\$	24,173
Tile REUSE	\$	11,099
Broadloom REUSE	\$	312
Total Reuse Payout	\$	11,411
Broadloom Shipped and Sold for recycling	\$	319,417
Adjustments	\$	-
Total All CSEs Payouts	\$	365,001

2

Processors		
Tile RECYCLED	\$	18,972
Type 1 Standard Payout	\$	833,145
Total Type 1 Payout	\$	852,117
Type 2 Filler/Other	\$	-
PC4 (Calcium Carbonate)	\$	472,886
Total Type 2 Payout	\$	472,886
Adjustments	\$	-
Total All Processor Payouts	\$	1,325,003

3

Manufacturers		
Non-Nylon Payouts	\$	1,006,279
Nylon 6 Payouts	\$	168,026
Adjustments	\$	-
Total All Manufacturers Payouts	\$	1,174,305

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Subsidy Payouts		
Total Subsidy Payouts for Quarter	\$	2,864,309

Consolidated CSE
Summary now reflects new
reporting style*

* All CSE pounds are now reported directly in CSE section.
Previously Processors who also collected were reported separately.



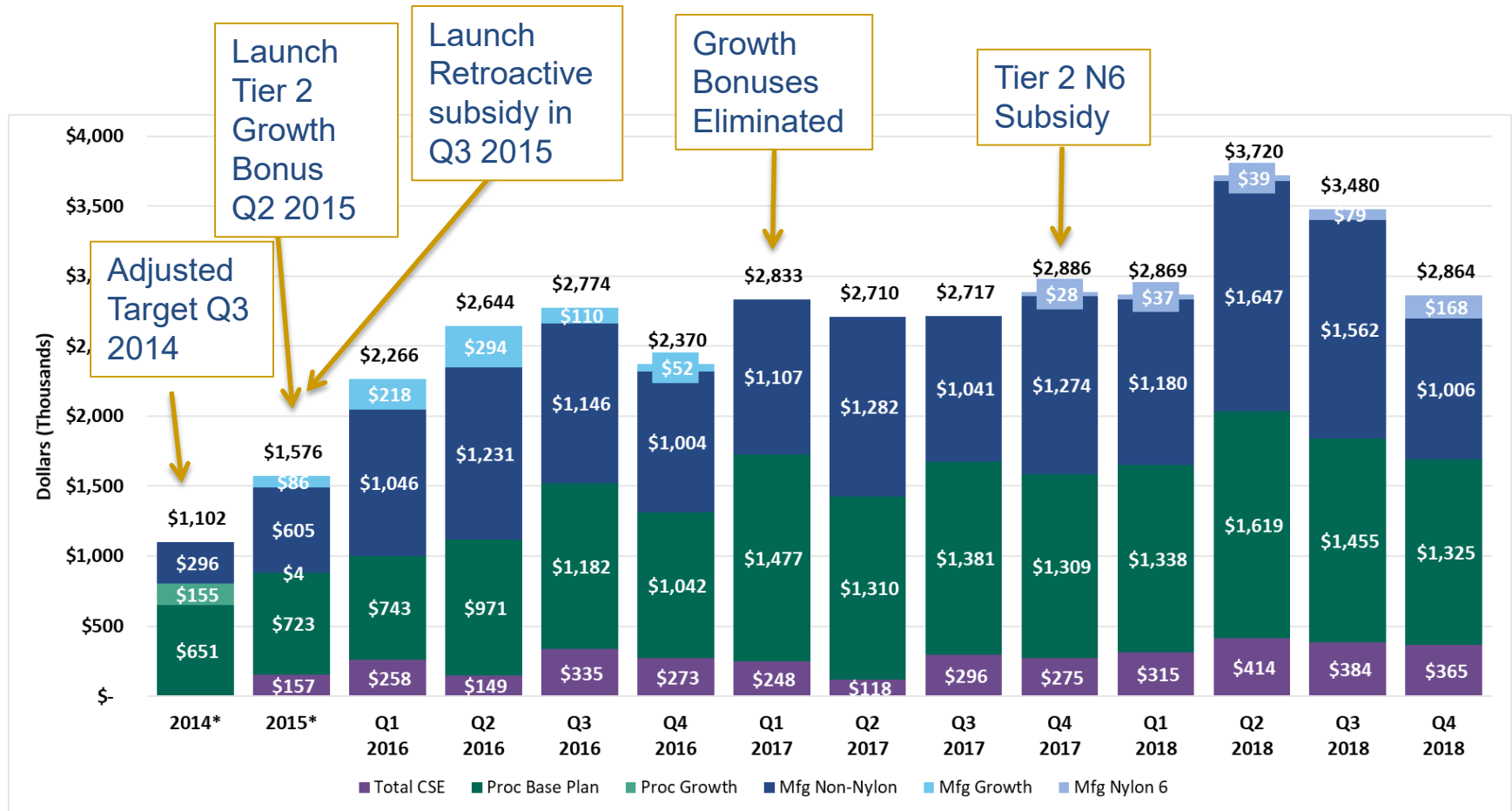
Summary of Expenses

Expenses	Q4 2018	Percentage
Subsidy Payouts Total	\$ 2,864,309	60%
Advisory Committee	\$ 8,852	0%
Education and Outreach	\$ 398,581	8%
Collections Program	\$ 335,049	7%
Grants	\$ 415,630	9%
Technical Assistance	\$ 240,773	5%
Program Expenses Sub-total	\$ 1,398,885	29%
CalRecycle	\$ 127,415	3%
CARE Administration Cost	\$ 7,536	0%
Direct Expenses	\$ 178,958	4%
Direct Support	\$ 141,510	3%
Accounting and Legal	\$ 79,563	2%
Admin Expenses Sub-total	\$ 534,982	11%
Program & Admin Expenses Total	\$ 1,933,867	40%
Total		
Total Expenses	\$ 4,798,176	100%

All data from Melanie confirmed 2/12/19



Payouts Over Time



*Average: 2014-2015 is 4 quarter average

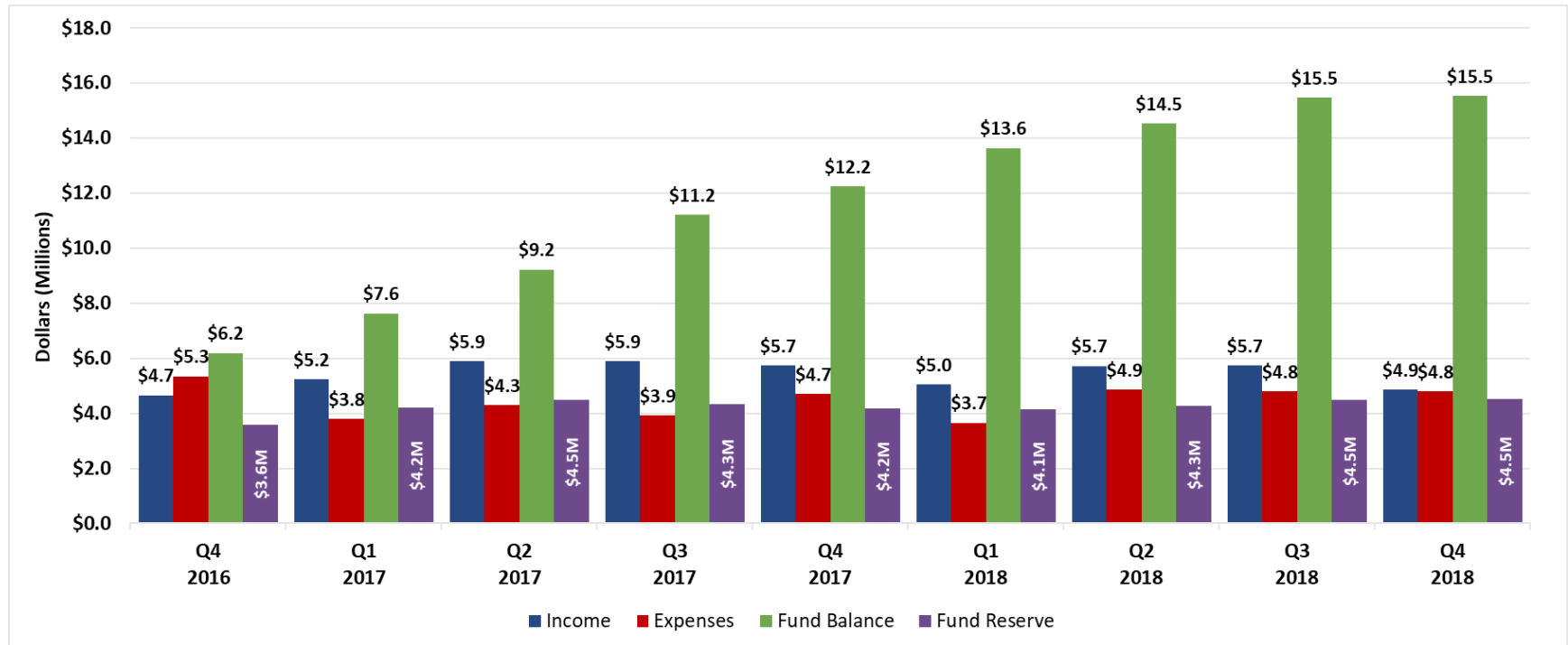
NOTE: All REUSE payouts are now counted under the CSE category. Previously, they were split between the CSE and Processor categories respectively. Historical data has been adjusted to reflect this change to accurately show trend lines. The quarterly total payout numbers were not changed – just re-categorized.



Fund Balance Trends

ACCRUAL BASIS

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



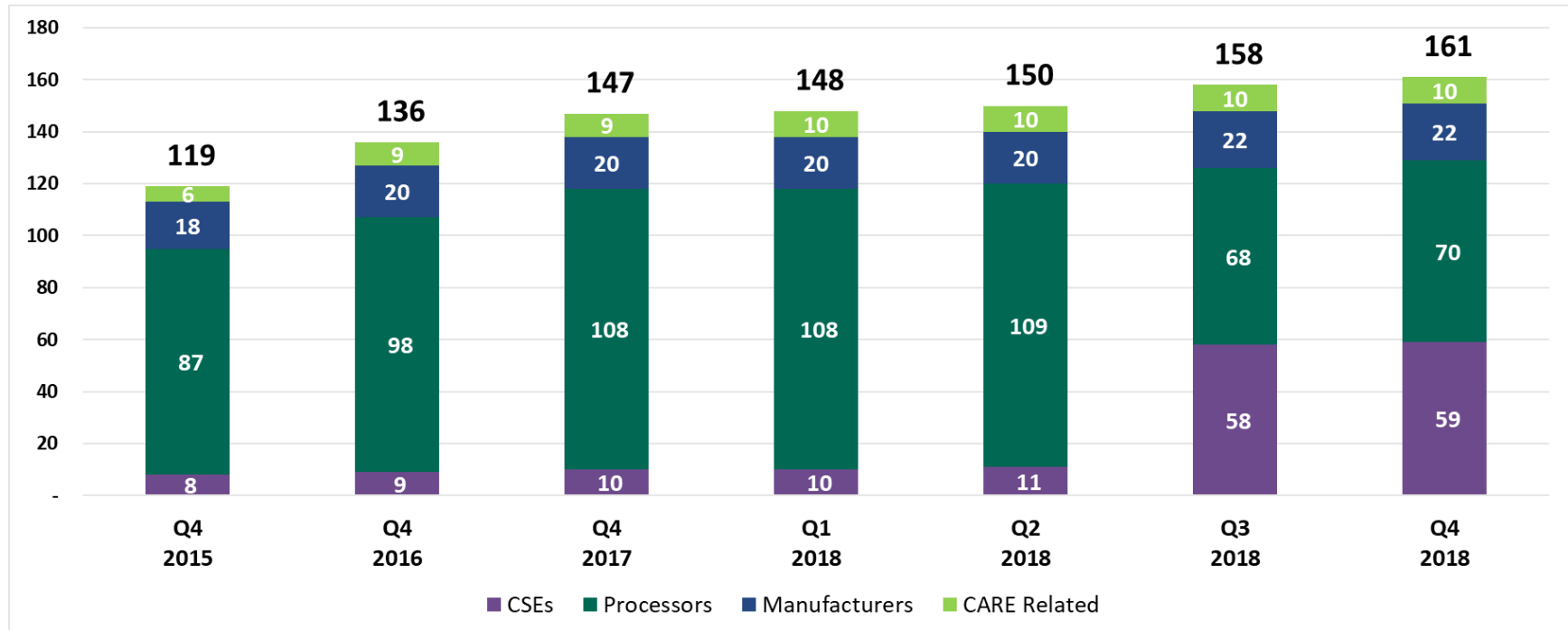
Reserve = average of the last 4 quarter payouts (effective Q3-2015)



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.



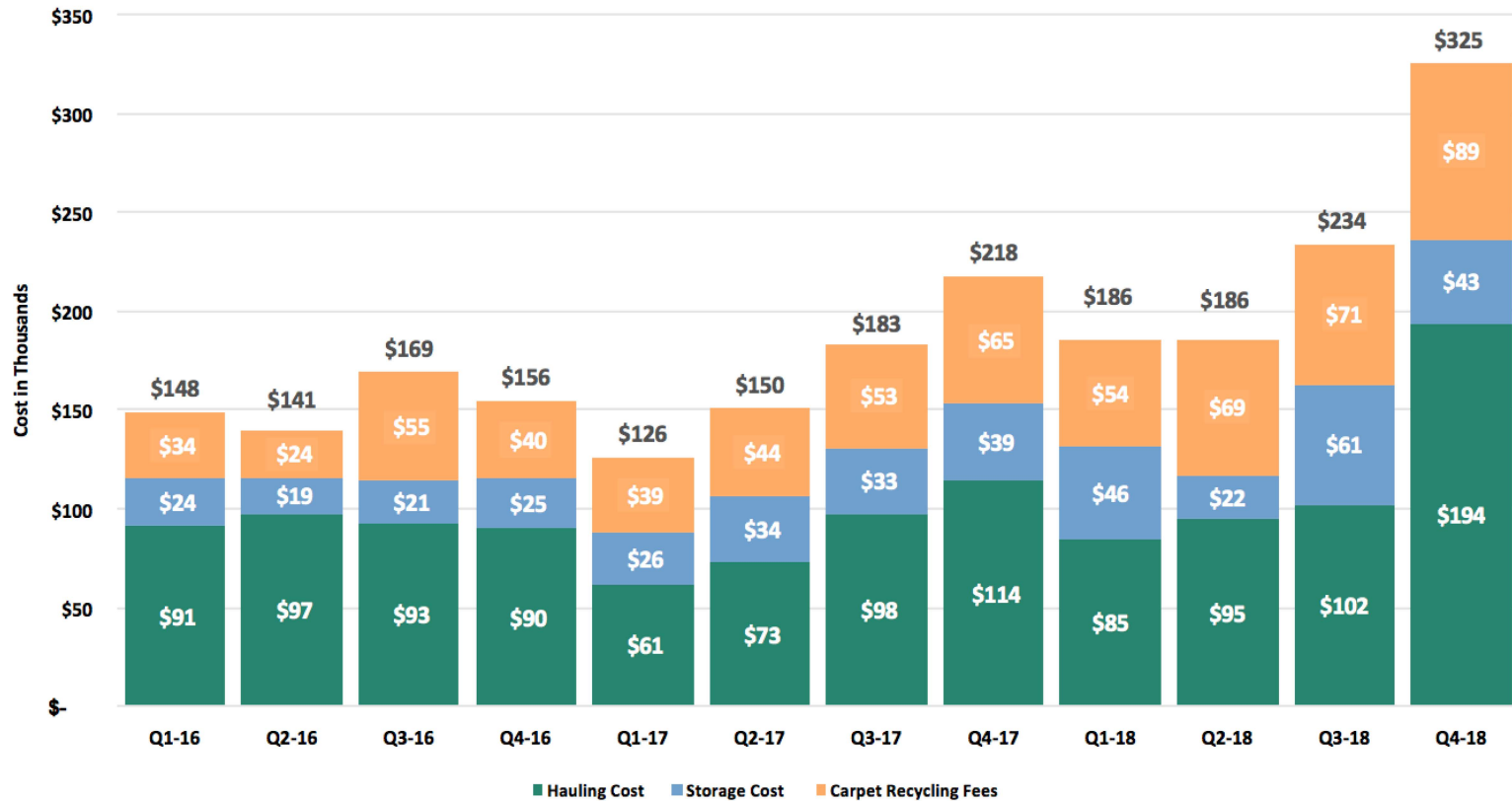
Drop-Off Site Program Update

Q4 2018

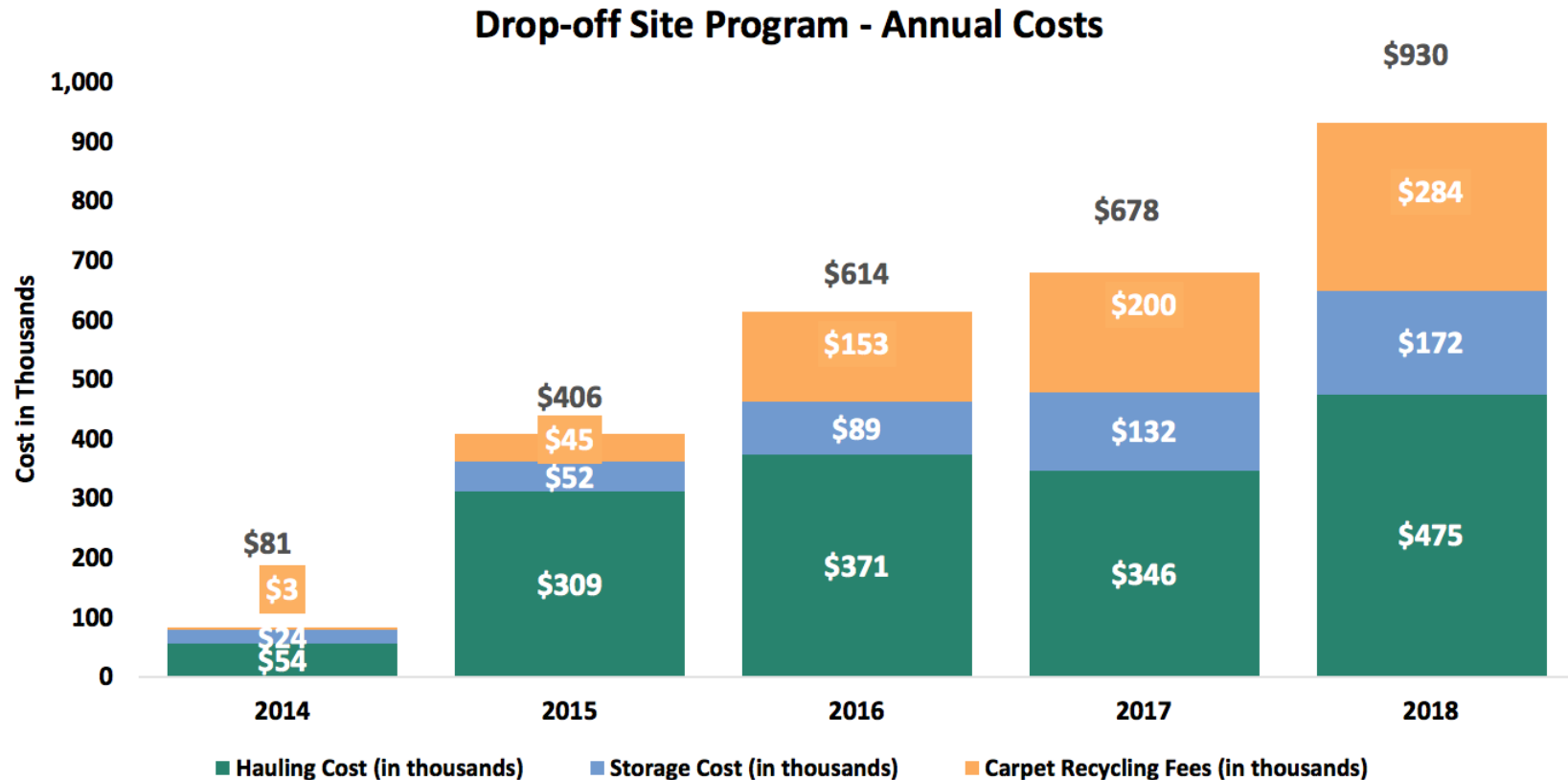


Drop-Off Site Total Program Costs

Drop-off Site Program - Quarterly Costs



Annual Cost Comparison

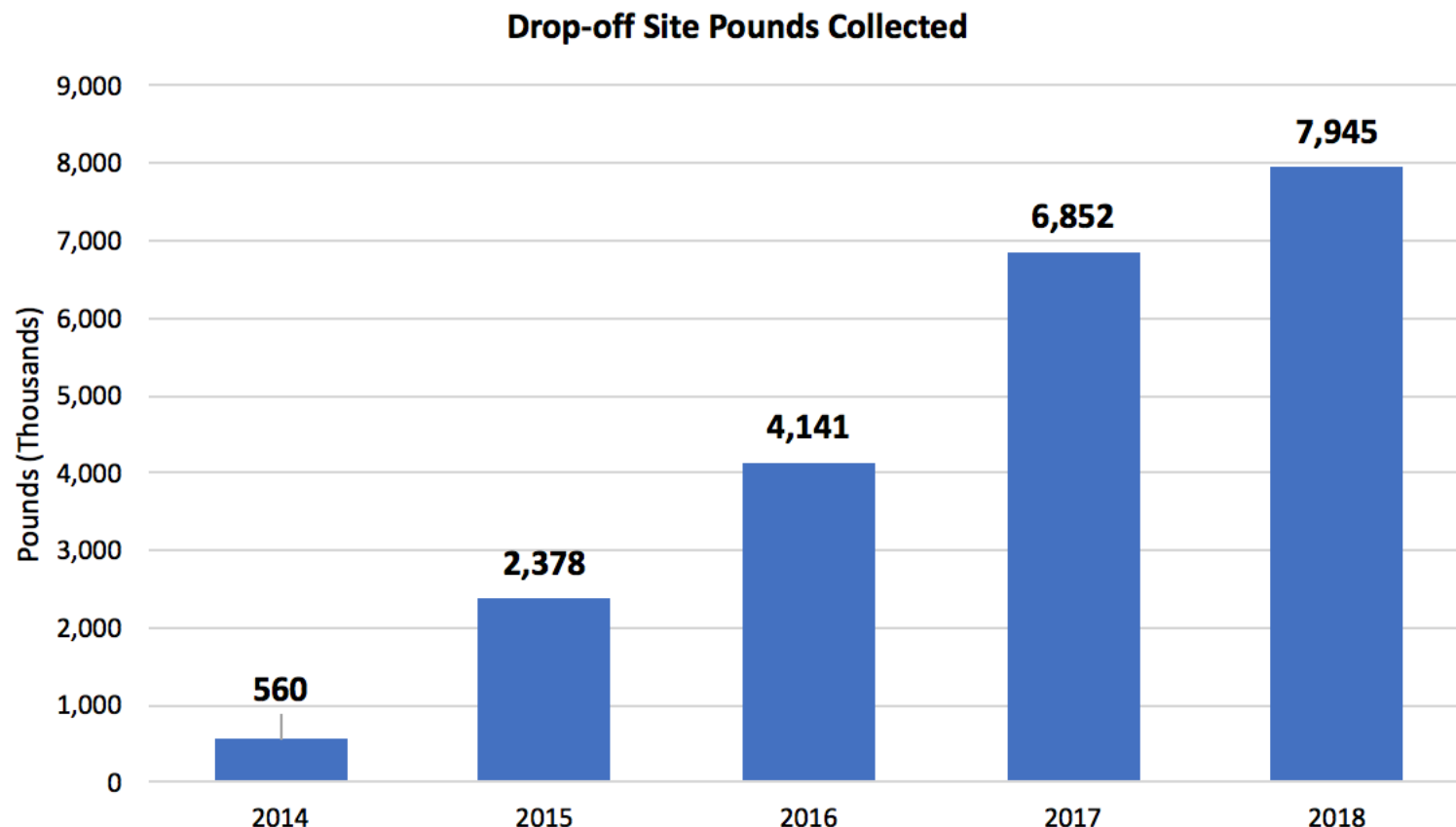


- **Hauling:** 60% of Q4 2018 Total Program Cost
- **Storage:** 13% of Q4 2018 Total Program Cost
- **Carpet Recycling Fees*:** 27% of Q4 2018 Total Program Cost

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



Material Collected by CARE Drop-Off Sites (Annual)



- Total 2018 lbs collected: **116% of total 2017 lbs collected**
- Q4 2018 lbs collected: **31% increase over Q4 2017 lbs collected;**
158% increase over Q4 2016 lbs collected



Drop-Off Site Program Summary

Annual Data Summary					
Data Collected	2014	2015	2016	2017	2018
Hauling Cost (in thousands)	\$54	\$309	\$371	\$346	\$475
Storage Cost (in thousands)	\$24	\$52	\$89	\$132	\$172
Carpet Recycling Fees (in thousands)	\$3	\$45	\$153	\$200	\$284
TOTAL Cost (in thousands)	\$81	\$406	\$614	\$678	\$930
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	7,945
Private Drop-Off Sites	Not Available	201	200	216	117
CARE Drop-Off Sites	14	23	32	44	53

- **53 operational CARE Drop-Off Sites in 47 CA counties by end of Q4**
- **117 operational private sites** reported at the end of Q4

**Cost/Capita uses updated Census information as available*



Recommendations to SFOC



Recommendations for SFOC Approval

1) Approve CSE subsidy	\$365.0 K
2) Approve Processor subsidy	\$1,325.0 K
3) Approve Manufacturer subsidy	\$1,174.3 K
4) Approve Program costs	\$1,398.9 K
5) Approve Administrative costs	\$535.0 K
Total Payout:	\$4,798.2 K



End of Review

