



California Carpet Stewardship Program

An initiative of CARE: Carpet America Recovery Effort

Carpet America Recovery Effort (CARE) Contingency Plan (2.0): California Program General Framework

October 20, 2023

Submitted by:

Robert Peoples, Ph.D., Executive Director
Carpet America Recovery Effort (CARE)
100 South Hamilton Street
Dalton, GA 30722
bpeoples@carpetrecovery.org

Submitted to:

Rachel Machi Wagoner, Director
California Department of Resources,
Recycling, and Recovery (CalRecycle)
1001 I Street
Sacramento, CA 95814

Table of Contents

Purpose	3
1. Introduction	3
2. Contingency Plan Outline	4
2.1. Overview	4
2.3. Training	5
2.4. Contracts	5
2.5. Invoices	5
2.6. Subsidies	5
2.8. Timing	6
3. Finance	6
3.1. Revenue Flows - Mill Payments	6
<i>Relationship to Retailers</i>	7
<i>Subsidies</i>	7
3.2. California Differential Assessment	7
<i>Change Protocol</i>	7
<i>California Differential Assessment Notification Process</i>	8
4. Expenses	8
4.1. Subsidy Expenses	8
4.2. Operational Expenses	8
4.3. Program Expenses	9
4.4. Escrow Account	9
5. Administrative	10
5.1. Communication Plan	10
5.2. Contingency Plan Management	11
5.3. Employees	11
5.4. Subcontractors	12
5.5. Program Management	12
5.6. Training Guide and Documentation	12
5.7. CA Annual Reports	13
5.8. Annual Surveys	13
5.9. Monthly Meetings	13
5.10. CARE AB 2398 Participant Agreements	14
6. Grants Administration	14
6.1. Prior Grant Cycles	14
6.2. Active Grant Cycles	14

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

7. Finance and Reporting	14
7.1. Accounting Protocols	14
7.2. Reporting Protocols	15
7.3. Confidential Business Information	15
7.4. Audits	15
<i>Financial, Performance</i>	15
7.5. Review and Subsidy Authorization Protocol	16
<i>Monthly Reviews & Release of Subsidy Funds</i>	16
<i>Subsidy Payments to Recyclers</i>	16
<i>Quarterly Reviews</i>	16
8. Use of Models	17
8.1. Economic Model	17
8.2. Financial Model	17
8.3. Subsidy Justification Model	17
8.4. Cost Conversion Model (CARE proprietary)	18
9. Education and Outreach	18
9.1. Retailer Engagement	18
9.2. Flooring Professional’s Union Support	18
9.3. Communications and Outreach – General	19
9.4. Assessment changes	19
10. Drop Off Site Management & Reporting	19
11. Management of Projects	19
11.1. Denominator Study	20
11.2. Denominator in Future (dialogue with CalRecycle)	20
11.3. Academic Studies	20
11.4. Special Projects	20
12. Miscellaneous	21
12.1. Technical Assistance	21
12.2. Unanticipated Problems, Challenges, and Issues	21
12.3. SPC Operations	21
12.4. ADA Compliant Requirements	21
13. Special Requests	21
14. AB 729 Reference	22
15. Attachment A - AB 2398 Operations Training Guide	23

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

Purpose

The purpose of this document is to provide a framework for implementation of a detailed Contingency Plan to transition the California Carpet Stewardship Program (Program) to CalRecycle or its designated representative in the event Carpet America Recovery Effort (CARE) is delisted as the active Carpet Stewardship Organization (CSO).

In the event the Director of CalRecycle invokes the Contingency Plan, this plan will self-execute within 30 days of notice of pending termination or revocation of the Plan, or within five working days of actual termination or revocation of the Plan, whichever is sooner.

This document lays out the steps CARE will take, consistent with the requirements of AB 729, should a transition be necessary. Readers are recommended to have fully read CARE's approved 2023-2027 Carpet Stewardship Plan (Plan) (<https://www2.calrecycle.ca.gov/Docs/Web/123366>), CARE's originally submitted Contingency Plan (<https://www2.calrecycle.ca.gov/PublicNotices/Details/4022>), AND this Contingency Plan 2.0 document, prior to reading the training guide.

CARE also encourages the reader to become familiar with California Assembly Bills 1158, 729, and 2398 (Carpet Law), all new laws adopted after the publication of this Contingency Plan, *and* the relevant Public Resources Code (PRC), Division 30, Part 3, Chapter 20. Additionally, any new CSO management will want to be familiar with Assembly Bill 901 (sets forth RDRS reporting requirements), as the Program must report its public Drop Off Site (DOS) volumes under this requirement.

1. Introduction

The Contingency Plan 2.0 incorporates the addition of a new Training Guide which provides a step-by-step manual for established program processes and procedures that are transferable to CalRecycle or its designated representative. CARE provides guidance based on widely accepted business practices and methods, as well as identifies activities that meet specific legislative mandates. Some CARE business practices are separate from its AB 2398 California Program operations and funds, therefore, are not included in this Plan. CARE identifies these processes and/or functions in this plan and may offer licensing or consulting services under contract, post termination, if CalRecycle or its designee requests.

Upon activation of the Contingency Plan, CalRecycle or its representative will become responsible for all functions of the Program, including Fund Management, Subsidies Payments, Accounting (AP/AR), Operations and Logistics (including the Drop Off Site program), Marketing, Education & Outreach (MEO,) and any other AB 2398 related business and operational functions, regardless of competency at the time of transition.

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

If CalRecycle requests, CARE will assist CalRecycle or its designee to aid program continuity by providing consulting services after the Contingency Plan has been invoked. CARE may agree, at its sole discretion, to enter into a separate consulting services agreement, for a fee not to exceed \$600 per hour, plus reasonable expenses (subject to adjustment due to economic impacts at the time of execution).

From our shared experience in January – April 2023, the standard State Consulting Services Agreement does not work for these purposes. Thus, we anticipate that the CalRecycle Legal Department and CARE’s attorneys will need to modify it, again, as needed. Alternatively, if requested by CalRecycle, CARE agrees to continue to fully administer the Program under a separate consulting services agreement (subject to agreed terms and conditions) in concert with CalRecycle oversight. In such circumstances, CARE will operate under the guidelines of the most recently approved Plan and be provided a monthly stipend to include enough funds to meet its AB 2398 program operational costs, including, but not limited to, any necessary subcontractors and logistical services (e.g., haulers and recyclers), until such time that CalRecycle can identify a new CSO.

The primary goal of such a transition is to ensure a seamless transfer of program functionality, with special focus on limiting subsidy flow interruptions to recyclers and maintaining stability for the public sites that participate in the program.

Based on experiences during the recently activated Contingency Plan (January – April 2023), as well as continuous and helpful dialog with CalRecycle, CARE recommends that CalRecycle identify a Contingency Plan team and anticipate a minimum six-month learning period to ensure a smooth transition, including execution of contracts, operational agreements, vendor payment processing and any necessary training.

2. Contingency Plan Outline

2.1. Overview

This Contingency Plan addresses the functions necessary to comply with the Carpet Stewardship Law. This document’s goal is to provide a high-level understanding of the elements required to enable execution of the day-to-day operations and logistics necessary to run a dynamic, complex, and growing enterprise for carpet recycling. The Plan Actions encompass activities and operations that are exclusive to the California Program. Areas that are not funded through California programs or are the intellectual property of CARE are non-transferable and may not include instruction. CARE is available for consultation in these areas for a fee and under a signed consulting services agreement.

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

2.3. Training

The Contingency Plan Framework document focuses on the actions recommended by CARE to enable a smooth transition. It is not meant to provide “how to” instructions, nor offer specific training. Instead, it details the steps that CARE will take to enable such training and outlines the necessary depth of understanding required to seamlessly maintain the program. The “how to” is provided in the companion document titled “AB 2398 Operations Training Guide and Management Methodology” (Attachment A) and is intended for the program's internal use only.

2.4. Contracts

CARE manages a variety of critical service-based contracts that support the Program. Contracts are generally renewed on an annual basis. However, some commercial contracts that tend to address longer lasting activities may have longer terms. Should any contracts be active upon termination or revocation of the Plan, those contracts may need to be renegotiated, almost immediately, by CalRecycle, its designee, or the incoming CSO. In the event CARE is delisted as the CSO, all contracts between CARE and its subcontractors would automatically terminate, and CARE would refer them to CalRecycle for guidance. CARE makes no representations or guarantees that any subcontractor would agree to continue to contract under those existing terms with CalRecycle, its designee, or a new CSO.

2.5. Invoices

CARE is the listed accounts payable party on invoices for goods or services performed under the Program. CARE receives invoices from vendors, subcontractors and other business services via email and United States Postal Service (USPS). It is CARE’s customary policy to review and approve invoices within one week and issue payment within 14 business days. To protect CARE’s credit rating, upon notice of invoking of the Contingency Plan, CARE will implement its Communication Plan and notify vendors where to direct invoices for payment processing, including contact information for Accounts Payable staff responsible for processing payments for program services.

CARE will retain accumulated funds for “in process” or pending invoices submitted prior to and up to the official termination date. CARE will continue to process invoices using Program funds until the transfer of the invoice payment process is complete. CARE shall be paid a reasonable administrative fee to manage invoice processing beyond the termination date, which shall not exceed 30 days past the final termination date.

2.6. Subsidies

Currently, a 6-month notice is required for any AB 2398 subsidy reductions, excluding pilots. CARE will provide CalRecycle or its designee with information on any approved pending subsidy changes upon transfer of program.

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

2.8. Timing

CARE understands CalRecycle's desire to have an "off the shelf" training program. However, based upon the experience gained during the 2023 Contingency Plan, this expectation may be unattainable in certain areas of the program and will depend on the skillset and industry experience of any replacement personnel. Therefore, CARE recommends CalRecycle staff plan for a minimum six-month transition for training and hand-off to avoid major disruption of the Program. CARE will meet with CalRecycle or its designee upon notification of termination or revocation to create a schedule for meetings and training sessions per the action items outlined as part of this Contingency Plan and under the terms and conditions of a consulting services agreement.

To avoid confusion and misunderstanding, all communications during the transition shall be directed through the CARE Executive Director and the CalRecycle designated point of contact, unless otherwise agreed, in writing, by CARE and CalRecycle.

NOTE: All dates and timing that are not expressly set forth in the following action items will be determined during schedule planning meetings.

3. Finance

3.1. Revenue Flows - Mill Payments

Readers are referred to CARE's approved 2023-2027 Plan (pages 41- 60) to gain insight into the flow of funds in support of the CA Carpet Stewardship Program. It should be noted, retailers must collect the current differential assessment per square yard of carpet, which must be listed on all invoices and consistent with the approved language. Under the 2023 – 2027 Plan, mills are required to file a report of quarterly CA sales and remit their assessment payment within 30 days of the end of the prior quarter. A CSO is responsible to secure reporting and payments of assessments by mills based on California sales. It is the responsibility of the mill to ensure payment by the retailer to the mill.

Under CARE as the CSO, mills submit their quarterly reports through an independent accounting firm. After assessment remittance period, the accounting firm prepares a standard slide deck summarizing the mill results, consistent with confidentiality considerations. Sales by individual mills are confidential business information, so only cumulative results are reviewed by the CSO. Shipments into CA are reported by fiber type, commercial vs residential broadloom and carpet tile and greater than or equal to 10% post-consumer content.

ACTIONS :

- A. CARE will facilitate a confidential (CBI) meeting between the independent accounting firm and CalRecycle or its designee to review the mill filing protocol, data analysis, and consolidation processes under a consulting services agreement; and

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

- B. The Independent accounting firm will review the process for incorporation of this information into the quarterly summary slide deck used to update CalRecycle or its designee under a signed contract.

Relationship to Retailers

The CSO does not have a role in the mill-retailer relationship. The CSO is responsible for education and outreach to retailers to enable participation and compliance across the state as well as notification of any assessment changes.

ACTIONS:

- A. No action is required.

Subsidies

The subsidy program has evolved over time in an effort to drive more recycled output (RO) and ensure program success. As a result of this process and the dynamic markets for recycled materials derived from post-consumer carpet (PCC), the subsidy program has evolved to be a complex set of considerations, which will continue to be developed and modified over the life of the program. Future changes cannot be anticipated at the time of submission of this Contingency Plan.

ACTIONS:

- A. CARE will facilitate a meeting with its Independent Accounting Firm to review the detailed recycler filing protocol, data analysis and dashboard review with CalRecycle or its designee during the authorized transition periods. If such activities occur outside the termination date, reviews will be conducted under a signed consulting services agreement;
- B. CARE will review the roll up process for incorporation of this information into the quarterly summary slide deck with CalRecycle or its designee. If such activities occur outside the termination date, reviews will be conducted under a signed consulting services agreement; and
- C. If post termination support is needed, CARE offers to work confidentially with CalRecycle or its designee to conduct live reviews over a 3- or 4-month cycle, as needed. Such reviews will be conducted under a signed consulting services agreement.

3.2. California Differential Assessment

Change Protocol

In the event a change in the assessment is required, the CSO should use their best efforts to implement a 90-day notification cycle. However, in the event of circumstances that were not reasonably foreseen, the CSO may choose to implement an approved assessment change over a shorter time frame, such as 30 to 60 days, unless directed otherwise by CalRecycle.

California Differential Assessment Notification Process

The CSO implements steps to alert and inform all affected stakeholders about changes to assessments.

ACTION:

- A. CARE has included detailed instructions of the Notification Process in the AB 2398 Operations Training Guide and Management Methodology.

4. Expenses

CARE separates expenses into three categories: Subsidy, Program (required services such as E&O, grants) and Operational expenses for accounting purposes.

4.1. Subsidy Expenses

On a monthly basis, recyclers eligible for Program subsidies report to a third-party accounting firm. The information is collected and entered into a database then reviewed with the CSO's Executive Director and Director of Finance. Once the review is conducted, the Executive Director approves the subsidy payments. Payments are completed by the Director of Financial Operations within 24 to 48 hours of final approval.

ACTION:

- A. CARE will facilitate a review of the monthly recycler reporting with CalRecycle and the third-party accounting firm to make CalRecycle aware of all components of measurement and the checks and balances to ensure that subsidies are reported and paid out correctly. If the review falls outside the termination date, reviews will be conducted under a signed consulting services agreement.

4.2. Operational Expenses

Operational expenses are those authorized by AB 2398, and include salaries, staff activities, office and service allocations, accounting fees, legal fees (exclusive of any statutorily defined "Litigation against the State"), and fees paid to CalRecycle.

ACTION:

- A. CARE will facilitate an accounting review of expense transactions for the AB 2398 program with CalRecycle or its designee, recognizing that such expenses may be different during the Contingency Plan. If the review falls outside the termination date, reviews will be conducted under a consulting services agreement.

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

4.3. Program Expenses

CARE distinguishes between on-going program expenses and administrative expenses. Program expenses exclude subsidies, which are tracked in detail separately. Expenses are tracked across a range of account ledgers for accounting purposes. CARE uses the former Morehouse Accounting Group, now part of Nichols, Cauley & Associates, for routine accounting support and tax filings.

ACTIONS:

- A. CARE will facilitate a transfer of a preliminary accounting of the fund balance and status to CalRecycle or its designee within 30 days of notice of pending termination or revocation of the Plan;
- B. Tax records and other related information as may be necessary to reconcile the AB 2398 account will be copied to CalRecycle or its designee; and
- C. CARE will review the roll up process for incorporation of this information into the Planful dashboard and quarterly summary slide deck. If the review falls outside the termination date, reviews will be conducted under a signed consulting services agreement.

4.4. Escrow Account

(Institution, owner, transfer of ownership)

The actions listed below are required by AB 729.

ACTIONS :

- A. CARE will transfer ownership and /control of the escrow account to the CalRecycle designated Account Manager the escrow agent in possession of funds per AB 729 4297.7(d)] within 30 days of termination or revocation of CARE's CSO role;
- B. CARE will transfer all unexpended and uncommitted funds to this escrow account within 30 days of termination or revocation as the role of CSO;
- C. All mill assessment deposits will be directed to this escrow account with the next payment cycle or effective upon termination date, whichever comes first; and
- D. CARE will work with CalRecycle or its designee and under a confidentiality agreement to coordinate management by CalRecycle of subsidy reviews, payouts and a protocol for CalRecycle authorization under a signed consulting services agreement.

5. Administrative

5.1. Communication Plan

Communications can be complicated and require repetitive and written documentation to minimize confusion. Responsiveness of all parties involved in a transition will be paramount. Success of the program encompasses routine operational financial requirements. Any delays in payment processing can have reputational impacts on CSOs or the Program. Operational and Program expense payments must be primary activities during any transition. Finally, during transition, personnel retention should be prioritized to minimize loss of expertise.

Unless stated otherwise, within 30 days of notice of pending termination or revocation of the plan, or within five working days of actual termination or revocation of the plan, whichever is sooner, CARE will activate its Communication Plan and notify all vendors, subcontractors, program participants and other key plan agents and stakeholders of the pending transition date. CARE will also provide the appointed CalRecycle or its designee's point of contact with instructions on how to remit reports, invoices, and program related communications.

ACTIONS :

CARE will initiate written communication using the following approach:

- A. Provide written instruction to its program vendors for goods and services as to where to send invoices and the effective date.
- B. Provide written notice to all public drop-off sites of pending transfer of operations management and the effective date.
- C. Provide notification to retailers, via email, of pending transfer of program management and the effective date.
- D. Notify Mills in writing and email within 10 business days of final determination with remittance instructions and effective date.
- E. Notify CARE Members (Program Recyclers, CSEs and Tier 2 Manufacturers) via email, of pending transfer of program management and the effective date.
- F. Notify subcontractors of termination date and provide information on who to contact if subcontractor wishes to engage CalRecycle or newly appointed CSO.

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

5.2. Contingency Plan Management

Project management tools such as Gantt charts or other scheduling methods may provide a useful visualization of project components and potential time constraints. Changes to the Contingency Plan requirements outlined in the Request for Approval (RFA) signed by CalRecycle's Director on March 6, 2023, now limit CARE to a tighter transition period for which these tools may not be needed. CARE is committed to meeting the timelines set forth in CARE's 2023-2027 Approved Plan.

ACTION:

- A. CARE will attend any meetings with CalRecycle to review any mapped timelines and program elements to ensure CalRecycle or its designee is prepared to receive the transition elements. Once CARE is terminated as CSO, these activities may proceed only pursuant to a consulting services agreement.

5.3. Employees

CARE hires employees with the understanding that employment may be terminated "at will" either by employer or employee. Should the Contingency Plan be invoked, CARE will examine the Employer-Employee relationship with assigned program staff and may make offers of employment to individuals for other CARE programs. CARE makes no guarantees to an employee regarding employment with CalRecycle or its designee after the termination date. CARE suggests, at minimum, the following staff roles be filled for successful program management:

- Executive Level Director and/or Program Level Director/Manager
- Sales/Marketing Associates or Account Managers
- Accounting/Finance personnel
- Operations and Logistics personnel
- Grants Management personnel
- Administrative Staff

ACTIONS:

- A. CARE will provide CalRecycle or its designee with staff job descriptions and organizational chart by role as they exist at the time of transition; and
- B. CARE will meet with CalRecycle or its designee to ensure CARE staff are treated appropriately and in accordance with all applicable labor and employment laws during the transition period.

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

5.4. Subcontractors

As stated in Chapter I. Contingency Plan Outline: subsection 3, CARE uses subcontractors for critical services that support the program. Subcontractors are responsible for initiating and securing any extensions they wish to offer CalRecycle or its designee. CARE's role in the transition is to facilitate introductions.

ACTION:

- A. CARE will assist with introductions between parties and provide CalRecycle or its designee with any active and signed contracts or addendums whose term continues after CARE's delisting date. CARE will include their role on the program, contract rates and the remaining balance on each contract, if applicable.

5.5. Program Management

CARE currently uses a system of tracking methods (spreadsheets) and Objectives and Key Results (OKR) to track ongoing program deliverables and goals as well as third party software platforms such as CRM and Finance Management databases.

ACTIONS:

- A. CARE will provide a copy of the most current Action lists, tracking sheets and OKR Master Documents to CalRecycle or its designee which include current statuses and any planned adjustments; and
- B. Provide account access and/or transfer licenses (where permitted) to AB 2398 funded software to CalRecycle or its designee.

5.6. Training Guide and Documentation

To meet the conditions of the Request for Approval (RFA) signed March 6, 2023, this revised Contingency Plan includes documentation that enables the Plan to be fully implementable without CARE's assistance. To meet this requirement, CARE has created the AB 2398 Operations Training Guide and Management Methodology (Training Guide). Because the Program is quite complex, this document is deemed a "living document" until either: 1) all identifiable program processes and workflows have been formally documented, and no further content is required; or 2) CARE is delisted as CSO of the program, whichever is sooner.

CARE has worked to the best of our ability to craft this document. Please note that recycling is an ever-changing industry that is constantly evolving due to market conditions, legislation, and other factors. As a result, due to this dynamic environment some provisions may no longer be applicable at a future date, or some necessary detail may be missing.

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

ACTION:

- A. CARE will update the Training Guide, on an as-needed basis, but at least once every 18 months and provide a current version to CalRecycle for its records.

5.7. CA Annual Reports

The CSO is required by law to submit an annual report describing its activities to CalRecycle by September 1 of each year. The California Code of Regulations (CCR), Title 14, Section 18944 describes the content that the annual report must contain.

ACTIONS :

- A. CARE will provide an overview of the Annual Report Production Process and Timing in the Training Guide; and
- B. Annual Reports, post termination or revocation of the 2023-2027 Plan may be the responsibility of CalRecycle, its designee or a future CSO, relieving CARE of its obligation to author such reports. From the time of termination or revocation of program responsibilities, as detailed above, CARE may be available under a signed consulting services agreement to provide any support necessary to complete an Annual Report.

5.8. Annual Surveys

As a regular part of preparing the Annual Report, as well as measuring appropriate Program metrics, regular and/or periodic annual mill surveys are conducted relating to weight per square yard of carpet and back-stamping progress.

ACTION:

- A. CARE provides a process overview of Annual Surveys in the Training Guide.

5.9. Monthly Meetings

CARE participates in regular monthly calls with CalRecycle. A Contingency Plan invocation would predicate the need and value for continuation of such calls. Should the Contingency Plan become executed, scheduling, coordination, and agendas for these calls would be the responsibility of CalRecycle to ensure all needs are addressed. All such activities will require a signed consulting services agreement.

ACTION:

- A. CARE will be available to attend meetings or calls as requested by CalRecycle or its designee under a signed consulting services agreement.

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

5.10. CARE AB 2398 Participant Agreements

Mills, CSE's, Processors, Tier 2 Manufacturers)

CARE requires any entity receiving AB 2398 subsidies to become a paid CARE Member. Membership dues are payable to CARE and are not transferrable. Upon CARE's deselection as CSO, all CARE AB 2398 memberships automatically terminate. CalRecycle or its designee shall determine all Participant requirements and contact potential members directly. Note: CARE will not issue membership refunds (full or partial).

ACTION:

- A. Because Membership is exclusive to CARE, and upon termination membership automatically expires, no further action will be necessary.

6. Grants Administration

6.1. Prior Grant Cycles

CARE has administered multiple complete grant cycles which include several categories (capacity, product development & testing, procurement, and micro). Details of completed or existing grants are fully documented in CARE reporting materials. The CARE grants program was modeled after the CalRecycle grants program.

ACTION:

- A. No further actions are necessary.

6.2. Active Grant Cycles

Current grant cycles will remain with the program and grantees will be transitioned to CalRecycle or its designee.

ACTION:

- A. CARE has included an overview of the grant process in the Training Guide.

7. Finance and Reporting

7.1. Accounting Protocols

CARE maintains separate accounting records for all three of its program elements (subsidy, programs, operations). Those relevant to CalRecycle and the Carpet Stewardship Program will be reviewed with CalRecycle or its designee.

ACTION:

- A. CARE will review accounting records with CalRecycle or its designee in accordance with all applicable laws.

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

7.2. Reporting Protocols

All reporting protocols will be reviewed with CalRecycle or its designee per the actions listed above under the following sections: Revenue Flows, Subsidies, Program Expenses and Operational Expenses. If post termination, such reviews will be conducted under a signed consulting services agreement.

ACTION:

- A. CARE has provided a process overview in the Training Guide.

7.3. Confidential Business Information

All data and reporting on an individual company are considered confidential business information (CBI). Severe harm to a company, both operationally and financially, could result from any disclosure or leak of such information. Therefore, sharing of these details during the training and hand-off must be restricted to a small set of trained individuals who will strictly honor the CBI commitment. Stringent legally defined CBI protocols must be followed. Such CBI must be strictly limited to a small group of need-to-know individuals for the purpose of administering the subsidy system. Post termination, all such discussions will occur under a signed consulting services agreement.

ACTIONS :

- A. CARE will clearly delineate and mark as such any material which is deemed confidential business information (CBI).
- B. CARE will schedule a meeting with CalRecycle or its designee to provide training in managing all monthly, quarterly, and annual data reviews along with mill reporting. In addition, how to respond to agreed-upon procedure (AUP) audit results on individual companies, along with special requests and issues, will be reviewed; and
- C. CARE will work with CalRecycle and any designee to sign a Confidentially Agreement to ensure the CBI protocols are followed.
- D. If post termination, such reviews will be conducted under a signed consulting services agreement.

7.4. Audits

Financial, Performance

CARE undergoes 3 independent audits every year: AB 2398, CARE Core, and a Carpet Program Performance Audit. CARE periodically issues an RFP to competitively bid on this service function. Contracts are typically 3 years and are often renewed for a second or third term, due to the detailed and complicated nature of the program, thus enabling in-depth analysis.

Carpet Stewardship Organization Contingency Plan: General Framework for The California Program

Audit results are reviewed by the Executive Committee each June and are incorporated into CARE annual reports intact (no editing of the PDF files from auditor). All AB 2398 audit results are included in the Annual Report without editing. Executive Committee actions are reviewed with the CARE Board, typically at its July meeting. CARE is also audited by the audit branch of CalRecycle, typically biennially.

ACTION:

- A. CARE will introduce CalRecycle or its designee to the independent auditor, Brooks McGinnis, or its successor; and
- B. The independent auditor will walk CalRecycle through the detailed AB 2398 audit process, which involves testing and interviews with a wide range of CARE assets and relationships, both internal and external.

NOTE: CARE's Core Programs are outside the scope of any terminated CSO role and are not, therefore, included in the Contingency Plan.

7.5. Review and Subsidy Authorization Protocol

Monthly Reviews & Release of Subsidy Funds

Subsidy Payments to Recyclers

On a monthly basis, recyclers eligible for Program subsidies report to a third-party accounting firm. The information is collected and entered into a database then reviewed with the CSO's Executive Director and Director of Finance. Once the review is conducted, the Executive Director approves the subsidy payments. Payments are completed by the Director of Financial Operations within 24 to 48 hours of final approval.

Quarterly Reviews

Quarterly reviews are conducted with the same third-party accounting firm that collects and assembles monthly recycler subsidy data to generate subsidy payments for the recyclers. The quarterly reviews are a combination of reviewing quarterly sales data as a whole, monitoring that all mills are reporting as scheduled as well as making their assessment payments. Additionally, quarterly measurements for recyclers are reviewed. These reviews are held during the month following the end of the quarterly reporting period.

ACTIONS:

- A. CARE will conduct a series of confidential meetings with CalRecycle or its designee during the transition period regarding the monthly subsidy reviews and the quarterly roll-up, under a consulting services agreement.
- B. Within 30 days of termination or revocation of CARE's CSO role, CalRecycle or its designee must authorize payments from the escrow account.

8. Use of Models

CARE modeling efforts have grown in sophistication over the life of the program. The models represent a critical set of tools to aid CARE in management of the Program, in particular as it relates to setting subsidies and justifying assessments. The models are typically reviewed every six months and updated or evolved as needed. Examples of Models used on the program include:

8.1. Economic Model

The Economic Model (EM) was developed to provide forward-looking forecasting and is a sophisticated model that draws upon public and private database information (including subscriptions). This model was built with public funds.

ACTION:

- A. CARE will arrange a series of meetings to present to a select group the details of the Economic Model.

8.2. Financial Model

The Financial Model (FM) looks at a 5-year projection of costs vs revenue on a monthly basis. At the end of each monthly review session, the FM is updated with the actual results, and then results vs budget is compared.

Typically, in late August, the FM is updated to adjust projections for the current calendar year. In September CARE begins to build the budget for the next year for review and approval in late October and consistent with the approved Plan. Any changes will be reviewed with CalRecycle. This model was built with public funds.

ACTION:

- A. CARE will arrange a series of meetings to present to a select group the details of the Financial Model.

8.3. Subsidy Justification Model

The SJM is a simple tool but underpinned by a need for deep understanding of how the recycled materials markets work to roll the cost of conversion into a format that evaluates the costs of competing materials, allows for a return on cost of conversion and adds a “transition incentive” to facilitate replacement of an existing materials, typically post-industrial, and calculates an investment return. This model was built with public funds and is transferable.

ACTION:

- A. CARE will arrange a series of meetings to present to a select group the details of the Subsidy Justification Model.

8.4. Cost Conversion Model (CARE proprietary)

The Cost Conversion Model (CCM) is a detailed analytical tool for understanding the costs to recycle materials under a wide range of approaches. The Cost Conversion Model is CARE intellectual property and non-transferable.

This model was **not** built with AB 2398 funds, is not a product of any other California public funding and is the intellectual property of CARE. It is licensed to the California Carpet Stewardship Program annually.

ACTION:

- A. CARE will not transfer the CCM programming, unless CalRecycle and CARE agree on a contract to purchase access, in which case CARE will consider such a request.

9. Education and Outreach

The Education and Outreach (E&O) program is complex. By design, it is meant to be dynamic to allow response to shifting demands, priorities and opportunities which arise. CARE currently works with MEO subcontractors who have developed a deep understanding of the Carpet Stewardship Program and communication mechanisms to help enable accomplishments. All education and outreach materials, as well as databases generated with CA public funds will be provided to CalRecycle or its designee.

9.1. Retailer Engagement

This aspect of the Program continues to evolve and be refined. The changes are driven by the changing landscape of carpet sales, and the desire for a significant expansion in collections. A detailed database of contacts exists, and regular, on-going outreach occurs throughout the state.

ACTION:

- A. CARE will facilitate the transfer of its CRM database subscription or its contents in CSV format in accordance with CalRecycle's expressed preference.

9.2. Flooring Professional's Union Support

As a result of AB 1158, CARE developed training materials for union journey-level and apprentice flooring installers. This effort expanded the existing training video prepared in both English and Spanish. In-depth slide decks exist that will enable the continuation of this program and may require training of new CSO personnel for effective delivery and relationship building.

ACTION:

- A. CARE will provide CalRecycle or its designee with access to these materials within its program data transfer packet.

9.3. Communications and Outreach – General

One of the more extensive areas of focused E&O is in the Program’s portfolio. This effort spans a range of support services from assisting with website content management, preparing label and ad materials, and production of the Product Catalog for products containing CA PCC.

ACTIONS:

- A. CARE will provide CalRecycle or its designee with access to E&O list of ongoing efforts including all electronic communications and social media examples, which includes:
 - 1. Regular outreach schedule and justifications.
 - 2. Updated budget(s) for active year.
 - 3. Plans for remainder of year(s) going forward if contract extension is included transition; and
 - 4. CARE will facilitate the transfer of administration of any social media funded by the program.

9.4. Assessment changes

CARE works with a MEO subcontractor to put in place a multi-touch approach for notifications when the assessment is set to change.

ACTION:

- A. CARE has included its Change Notification Process in the training guide.

10. Drop Off Site Management & Reporting

CARE currently maintains and services public Drop-off Sites (DoS) across the state. CARE will implement the following actions with CalRecycle or its designee:

ACTIONS:

- A. Within 30 days of written notice of pending termination or revocation of the Plan, or within five working days of actual termination or revocation, whichever is sooner, CARE will provide CalRecycle or its designee with a complete list of active public DoS including:
 - 1. Program adoption date (start date).
 - 2. Facility Name and Location.
 - 3. Available contact information; and
 - 4. Data summary showing the growth and performance over the prior 5 years for each site.

11. Management of Projects

At any point in time there may be special projects that CARE is required to undertake or may choose to pursue. For example, CalRecycle has required CARE to undertake the development and coordination of assorted studies. Current outstanding and/or ongoing items include the Denominator Study, Academic Studies and any studies or special projects beginning after the publication of the Contingency Plan 2.0.

ACTIONS:

11.1. Denominator Study

- A. CARE will ensure that CalRecycle or its designee has an ADA compliant version of the Final Report when completed.
- B. Should the project be incomplete for any reason at the time of termination or revocation, CARE will arrange a meeting with CalRecycle or its designee to facilitate the information transfer.

11.2. Denominator in Future (dialogue with CalRecycle)

- A. Given the implications for both historical reporting and the statutory target, both of which are based on the currently employed discards formula, CARE will meet with CalRecycle to flesh out the implications of a shift in the denominator formula, including statutory implications on the recycling rate calculation if requested.

11.3. Academic Studies

CARE will provide all relevant files, not already published, and related to studies funded through AB 2398 to CalRecycle or its designee.

ACTION:

- A. CARE will arrange a meeting, if desired, to introduce CalRecycle or its designee to internal or external staff or other entities or individuals working on any initiatives and facilitate a dialog for transition. If this introduction takes place after CARE's termination or revocation, such activities will take place under a signed consulting services agreement.

11.4. Special Projects

Should any Special Projects (projects that fall outside the scope of CARE's 5 Year Plan) be developed after the publication of the Contingency Plan 2.0, CARE will include an outline of the Project's goals, scopes and pending timelines in its communications with CalRecycle.

ACTION:

- A. CARE will provide a project report / overview for CalRecycle or its designee for any special projects that will not resolve in time of termination or revocation.
Advisory Committee Engagement

As mandated by law, CARE routinely engages with the Advisory Committee as it relates to the Plan and Annual Reporting. All relevant documents are part of the public record.

ACTION:

- A. No actions are anticipated in the event of termination or revocation.

12. Miscellaneous

12.1. Technical Assistance

CARE may provide informal technical assistance to its members when requested and which may be presented through a variety of forms. Each instance is individualized and does not require a formal process.

ACTION:

- A. No actions are anticipated in the event of termination or revocation.

12.2. Unanticipated Problems, Challenges, and Issues

CARE routinely must respond to issues for which there is no precedent or protocol in place. There is no training or transfer handoff for such cases, as it is based on Program experience and context.

ACTION:

- A. CARE will respond to questions if and when they arise, as covered in a signed consulting services agreement.

12.3. SPC Operations

SPC Operations includes routine reviews of program activities.

ACTION:

- A. Since this function will cease to exist, no actions are necessary.

12.4. ADA Compliant Requirements

- A. This element is not relevant in a termination or revocation scenario.

13. Special Requests

Special requests are just that. Each tends to be unique, takes time to understand and investigate, and to determine the proper response. There is no formula to follow.

ACTION:

- A. No actions are anticipated in the event of termination or revocation.

14. AB 729 Reference

The following relevant statutory excerpts of the Public Resources Code, Division 30, Part 3, Chapter 20, Product Stewardship for Carpets, as directed by CalRecycle, shall preempt any inconsistencies in the Contingency Plan and is included here for ease of reference:

“(7) Include a contingency plan should the plan expire without approval of a new plan or should the plan be revoked. The contingency plan shall demonstrate how the activities in the plan will continue to be carried out in the absence of a plan by the department through some other entity, such as an escrow company, consistent with Section 42972.7.”

PRC § 42972.7.

- (1) A carpet stewardship organization, as part of its carpet stewardship plan, shall set up a trust fund or an escrow account, into which it shall deposit all unexpended funds and ongoing consumer assessments, for use in accordance with this section in the event that the plan terminates or is revoked.
- (2) For purposes of this subdivision, “unexpended funds” means assessment money in the stewardship organization’s accounts that the stewardship organization is not already obligated to pay pursuant to a contract, claim, or similar mechanism.
 - (b) If a carpet stewardship plan terminates or is revoked, the trustee or escrow agent of a trust fund or escrow account set up pursuant to subdivision (a) shall do both of the following, starting within 30 days:
 - (1) Accept carpet stewardship assessment payments directly from manufacturers into the trust fund or escrow account that would have been made to the stewardship organization prior to the carpet stewardship plan’s termination or revocation.
 - (2) Make payments from the trust fund or escrow account as the department shall direct, in writing, to implement the most recently approved plan.
 - (c) If a new carpet stewardship plan has not been approved by the department within one year after termination or revocation, the department may make modifications to the previously approved plan, as it deems necessary, and continue to direct payments from the trust fund or escrow account in accordance with paragraph (2) of subdivision (b) to implement the modified plan.

A trustee or escrow agent in possession of assessment funds shall, as directed by the department, transfer those funds to a successor carpet stewardship organization with an approved plan.

15. Attachment A - AB 2398 Operations Training Guide

The AB 2398 Operations Training Guide and Management Methodology is provided for use by authorized personnel designated to conduct operations and execution of the California Carpet Stewardship Program. The information contained within the training guide is intended for internal use only and should not be posted as a public facing document. The document is provided to CalRecycle or its designee(s) separate from this document.