

August 30, 2018

The Honorable Al Muratsuchi
Chair, Joint Legislative Audit Committee
State Capitol, Room 2179
Sacramento, California 95814

Dear Assemblymember Muratsuchi:

I am writing to provide a progress report on the achievements of the Mattress Recycling Council's (MRC's) Bye-Bye Mattress program. As you know, the California State Auditor today released its review of the program, and while we are open to constructive input and committed to continuous improvement of our efforts, we believe the review does not paint an accurate picture of how far we have come in a very short period of time.

As a startup organization, MRC's Bye Bye Mattress Program has made tremendous progress in only two years of operation, and we are making a positive impact to improve California's environment by recycling materials that are otherwise landfilled. Since our operational launch in 2016, we have recycled more than 2 million mattresses, preventing more than 70 million pounds of material from entering California landfills. Through our expansion efforts, the program will surpass the 3 million mattress mark this year.

MRC is making progress on all fronts by increasing recycling capacity, expanding outreach and working to provide statewide Program access. The program is fiscally prudent, effective, scalable and sustainable so that we can meet current and future recycling demands.

As with any new program, there are unanticipated challenges, and although we have had our share, MRC has demonstrated the ability to face and overcome obstacles. We recognize the importance of strengthening the program's average recycling rate and are making appropriate adjustments to achieve that important goal.

The State Audit questions three major aspects of MRC and the Bye Bye Mattress program: MRC financial reserves, access to mattress drop-off locations and whether Bye-Bye Mattress marketing efforts are adequate. While we valued the collaboration between MRC and the Auditor's staff as they reviewed the program, and we respect their professionalism, we disagree with their assertions. As a program that has been in operation for two years, our financial safeguards and prudent management that MRC has put in place for the long-term sustainability of the program are a model for what the State Legislature should expect from these kinds of environmental stewardship programs. As you will see below MRC is fiscally conservative, the program is readily accessible statewide and marketing efforts are consistent with our capacity.

MRC is financially stable and prudent: The audit overstates MRC reserves, while asserting that we should reduce savings. As a startup, it is extremely critical that MRC scales the Bye-Bye mattress appropriately. We are investing wisely to build capacity, market the program and maintain a year in reserve to account for unanticipated costs or an economic downturn. We manage our budget in the same fashion as the Legislature and Governor; we're making worthwhile investments while putting money aside to account for future market conditions.

Bye-Bye Mattress is easily accessible throughout California: The Audit makes an arbitrary determination that access to the program should be defined in terms of a consumer's ability to transport his or her own used mattress to a Bye-Bye Mattress permanent drop-off location within a 30-minute drive. We are proud to have 175 permanent drop-off locations across the state, augmented by another 50 targeted mattress collection events, providing access to consumers. While this is significant, it is only one of the ways people can access Bye Bye Mattress. Consumers throughout California also have direct access to the program through the statewide retailer-take back requirement prescribed by SB 254 and curbside pick-up services offered by local trash haulers. Again, as a startup program, these results are extraordinary, and our intent is to build on them in the future.

Bye-Bye Mattress marketing efforts are consistent with its capacity: We cannot emphasize enough the fact that building a recycling program to serve a state with 40 million residents from scratch is an enormous task. Even so, MRC's ability to establish Bye-Bye Mattress in a short period of time is a great benefit to Californians. The program's marketing efforts are calibrated to the capacity of our 10 recyclers, and we will scale to expand the effort as we grow. Traditionally, government audits lament excessive marketing expenditures, questioning their value. It is surprising – and indeed ironic – therefore that the Audit asserts we are not marketing enough. We disagree and have a strong foundation for our position. MRC staff works closely with professional marketing firms, and we are following their direction to build a program that is both robust yet tied to our capacity. In the future, we will increase our marketing activity consistent with our ability to meet increased recycling targets.

We welcome all legislative questions: MRC is committed to full transparency and accountability and welcomes the opportunity to meet directly with legislators and/or staff to address any question or recommendations raised in the Audit. Please contact me and we will schedule a time immediately.

Sincerely,



Tom Sheehy
Senior Director
Greenberg Traurig, LLP

cc: Governor Edmund G. Brown, Jr.
Honorable Members of the California State Legislature