



901 New York Ave NW, Suite 300W
Washington, DC 20001
(855) PAINT09 paintcare.org

June 16, 2025

Executive Director Jill Hunsaker Ryan
Colorado Department of Public Health and Environment
4300 Cherry Creek Drive South
Denver, CO 80246

Dear Ms. Hunsaker Ryan:

This document proposes to amend the Colorado Architectural Paint Stewardship Program Plan. Its primary objective is to establish a new paint stewardship assessment (PaintCare fee) structure, an important change for the program's continued viability. PaintCare proposes replacing parts of Section 7—Program Budget and Paint Stewardship Assessment (pages 33-38) as specified below.

Program History and Background

The Colorado program began on July 1, 2015, and has collected over seven million gallons of paint in its ten years of operation. The program currently collects over 800,000 gallons of paint per year. The program's 212 year-round drop-off sites provide 96.25% of the state's population with a drop-off site within a 15-mile radius, meeting the distribution criterion outlined in the Colorado statute. The paint recovery rate—the volume of paint collected divided by the volume of new paint sold during the same period—has increased gradually, averaging 6% over the last three years.

The original Colorado paint stewardship assessment structure of \$0.35, \$0.75, and \$1.60 by container size (larger than half pint up to smaller than one gallon, one to two gallons, and larger than two gallons up to five gallons, respectively) enabled the program to maintain healthy reserves for nearly a decade. However, program costs, specifically those related to paint collection, transportation, and processing, have increased by an average of 8% year-over-year over the last three years and are forecasted to grow at an average annual rate of 2% through 2028. Meanwhile, paint sales revenue has decreased by an average of 5% over the same period and is forecasted to grow at approximately 3% annually through 2028.

Based on PaintCare's revenue and expense forecast for the next four years, a revised paint stewardship assessment structure is necessary for the program's long-term sustainability. The proposed assessment structure, approved by the PaintCare Board of Directors, provides revenue to maintain operations, restore funding for public education, and maintain operating reserves. This proposed paint stewardship assessment structure is consistent with that proposed for Maryland and approved by the PaintCare Board of Directors for Connecticut, which is currently under consideration by the state oversight agency.

Proposed Text

Paint Sales (Section 7, subsection C, page 34-35)

To estimate Colorado architectural paint sales, PaintCare consulted with Decision Metrics, Inc., a highly reputable firm used by the American Coatings Association during the past 25 years, to project and model paint sales. Decision Metrics developed a series of models to project paint demand and publishes a quarterly report that provides current and future coatings demand estimates.

To project the total gallons to be sold and provide a container size breakdown (1-gallon vs. 5-gallon) for Colorado, Decision Metrics considered several key metrics, including housing starts and home sales, construction projects, the residential home improvement market (DIY), and other economic conditions. To assist in the analysis, PaintCare provided Decision Metrics with actual historical monthly sales totals reported by each size category for Colorado.

The following table shows paint sold in gallons from 2021 through 2024.

ACTUAL PAINT SOLD (GALLONS)				
	2021	2022	2023	2024
Gallons Sold	14,468,105	13,877,423	13,190,382	13,499,122

Paint Collection Volumes (Section 7, subsection D, page 35-36)

While paint collection volumes have varied, the recovery rate has averaged 6% over the last three years. The recovery rate is the volume of paint collected divided by the volume of new paint sold in the same period. The volume of paint collected in Colorado is expected to remain near its current level and may increase with additional outreach activities.

The following table shows paint collection volumes from 2021 through 2024.

PAINT COLLECTED (GALLONS)				
	2021	2022	2023	2024
Gallons Collected	793,228	806,605	807,872	841,412

Program Budget and Paint Stewardship Assessment (Section 7, subsection E, page 36-38)

Based on anticipated paint sales, collection volumes, and program management costs, PaintCare has developed a budget projection for 2025 through 2028.

Revenue and Expense Categories

The following explains the program’s revenue source and expense categories.

Revenue. Revenue is derived from the paint stewardship assessment on new paint sales.

Expense Categories. With the exception of General and Administrative, the following expense categories are state-specific costs related to the implementation of the Colorado program:

Paint Processing. Processing costs are based on the weight, volume of paint, or number of paint collection bins or drums from drop-off sites and services. Processing costs include the cost of sorting bins of comingled latex and oil-based paint from drop-off sites, as well as the costs associated with recycling or other processing methods.

Paint Transportation. Transportation costs are based on one or more of the following factors: the number of bins and drums collected, the number of stops, or mileage.

Paint Collection Supplies and Support. Collection supplies and support costs include paint collection bins, spill kits, training materials, signs, and other related costs for drop-off sites, door-to-door (D2D) pickups, and large volume pickups (LVP).

Communications. Communications costs include advertising, printing and distribution of brochures and other outreach materials, media relations, event promotion, conferences and memberships, production, translations, and awareness surveys.

Personnel, Professional Services and Other. Personnel, professional services and other costs include the program staff, travel, legal fees, office supplies, and other logistical and professional support.

State Agency Administrative Fees. These fees, required by the paint stewardship law, are paid to the state for oversight of the program.

General and Administrative. General and administrative costs include administrative and corporate staff, back-office support (e.g., information technology, human resources, legal, accounting, and government affairs), insurance, data management systems, annual financial audit, software licenses, professional services for corporate or organization-wide matters, occupancy, general communications, and other supplies and services that support all PaintCare programs. These costs are shared across all PaintCare programs and allocated relative to population. Colorado's share of the general and administrative allocation is currently 5.3%. The percentage is expected to decrease as new state programs are added to the allocation.

Revenue and Expense Projection

Paint management costs, including Paint Collection Supplies and Support, Paint Transportation, and Paint Processing (collectively referred to as CTP), account for about 80% of the program's expenses. PaintCare has undertaken several strategies to reduce CTP costs:

- Despite an overall increase in paint collected, increasing the utilization of reusable bins and reusing cardboard bins has assisted in the 11% decrease in Paint Collection Supplies and Support since 2022.
- A competitive bid process was recently completed to ensure the program obtains the best pricing for CTP services. As a result of the RFP process, the program obtained slightly lower vendor pricing. CTP costs are expected to remain flat through the initial contract term. Vendor pricing is expected to then be negotiated for two-year contract terms. The projections include a 5% increase in CTP expenses in 2027 in anticipation that the service providers will negotiate new rates to cover rising costs. The increase also accounts for a potential increase in paint collected and other indirect CTP expenses, such as purchasing reusable paint collection bins. The 1% increase in 2028 is projected for possible growth in paint collected and indirect costs.
- Further cost savings are anticipated for Paint Transportation due to optimizing hauler zones.

The Communications budget was reduced from \$736,430 to \$200,000 in 2024 and 2025 to help curb overall expenses and maintain minimum reserves. The proposed increase to \$750,000 in 2026 will provide a reinvestment in Communications consistent with historical spending.

The Personnel, Professional Fees, and Other costs include an audit in 2025 to support the paint stewardship assessment change proposal submitted to CDPHE and the salaries and benefits of two full-time coordinators and a program manager, all filling these roles in 2024. While hiring timelines were circumstantial more than strategic, both coordinator positions were vacant for a period in 2024 before being filled, and the previous program manager role was allocated at 80% to Colorado due to serving in a dual role, resulting in a cost reduction in 2024. In contrast, the current program manager, reflected in the 2025 expenses, is 100% funded by the Colorado program.

Despite the forementioned expense reduction strategies and the robust housing market in Colorado, which is expected to drive paint sales upward by two to four percent annually throughout the forecast period, rising costs are anticipated to continue exceeding the expected growth in revenue. This is primarily due to the volume of paint collected, the addition of new drop-off sites, and the demand for LVP and D2D services. As indicated in the Colorado Paint Stewardship 2024 Annual Report Three-Year Projections, operating reserves are expected to persist in their downward trend, ending 2025 with a reserve of 47%. By the end of 2026, without an increase to the paint stewardship assessment, the program is projected to have reserves of 25%, which will only cover a few months of operating expenses. Based on these projections, an increase to the paint stewardship assessment is necessary for the program to sustain operational viability and positive net assets.

The proposed increase, the first adjustment to the paint stewardship assessment in the decade since the inception of the PaintCare program in Colorado, is reflected in the budget projection tables below, effective April 2026.

Operating Reserves

Reserves represent the net assets of the Colorado program. Reserves are needed to sustain the program in times of either higher-than-expected paint collection volumes resulting in higher-than-expected expenses, lower-than-expected paint sales resulting in lower-than-expected revenue, or a combination of the two. PaintCare’s reserves policy establishes a target reserve as a percentage of annual expenses and sets a minimum and maximum threshold. If the reserves fall below the minimum threshold or rise beyond the maximum threshold, an evaluation of the program’s expenses and revenue is performed to determine if changes are needed in operations, outreach, and/or the paint stewardship assessment structure to bring the reserve balance within range. PaintCare currently has a target reserve of 100% of annual expenses (i.e., 12 months of operating expenses), with a minimum threshold of 75% (i.e., nine months) and a maximum threshold of 125% (i.e., 15 months).

Paint Stewardship Assessment The following table shows the current and proposed structures for the paint stewardship assessment. The proposed paint stewardship assessment structure provides revenue to maintain operations, restore funding for public education, and maintain operating reserves.

PROPOSED PAINT STEWARDSHIP ASSESSMENT STRUCTURE CHANGES

Size	Container Size	Current Assessment	Proposed Assessment	Change
Very Small	Half pint or smaller	\$0.00	\$0.00	\$0.00
Small	Larger than half pint up to smaller than 1 gallon	\$0.35	\$0.50	\$0.15
Medium	1–2 gallons	\$0.75	\$1.15	\$0.40
Large	Larger than 2 gallons up to 5 gallons	\$1.60	\$2.25	\$0.65

Audit of the Paint Stewardship Assessment

To help ensure that the program’s funding mechanism is appropriate to cover the program's cost, the proposed PaintCare paint stewardship assessment was reviewed by an independent financial auditor. PaintCare contracted with Lydon Fetteroff Corydon, P.A., to review the proposed assessment structure.

The audit report issued by Lydon Fetteroff Corydon, P.A. is provided in the appendix and concluded the following:

In our opinion, the accompanying forecast is presented, in accordance with the guidelines for presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for PCCO’s forecast, in all material respects. Also, in our opinion the PCCO’s uniform paint stewardship assessment fee of \$0.35 , \$0.75, and \$1.60 by each container size (larger than half pint up to smaller than one

gallon, one gallon to two gallons, and larger than two gallons up to five gallons, respectively) charged on all paint containers sold at retail to Colorado state consumers from January 1, 2025 through March 31, 2026, and uniform paint stewardship assessment fee of \$0.50, \$1.15, and \$2.25 by each container size (larger than half pint up to smaller than one gallon, one gallon to two gallons, and larger than two gallons up to five gallons, respectively) charged on all paint containers sold at retail to Colorado state consumers starting April 1, 2026 is reasonable, within the meaning of C.R.S. 25-17-404, to cover the expenses (costs) of operating the architectural paint stewardship program and maintain financial reserves sufficient to operate said program over the multi-year period from January 1, 2025 through December 31, 2028.

PROGRAM BUDGET AND PROJECTIONS

	Actual	Projections			
Revenue	2024	2025	2026	2027	2028
Small Containers	\$536,638	\$547,057	\$748,367	\$818,694	\$835,068
Medium Containers	2,977,451	3,103,973	4,576,649	5,087,990	5,189,750
Large Containers	2,921,835	3,059,934	4,229,976	4,626,770	4,719,305
Total Revenue	6,435,924	6,710,964	9,554,992	10,533,453	10,744,123
Expenses					
Paint Processing	4,741,093	4,772,034	4,789,975	5,029,473	5,079,768
Paint Transportation	1,337,199	1,289,450	1,271,589	1,335,168	1,348,520
Paint Collection Supplies and Support	511,469	574,011	575,491	604,266	610,309
Communications	201,121	200,000	750,000	750,000	750,000
Personnel, Professional Fees, Other	373,167	512,807	515,043	533,148	551,947
State Agency Administrative Fees	120,000	120,000	120,000	120,000	120,000
General and Administrative	555,169	587,443	557,719	585,605	614,885
Total Expenses	7,839,218	8,055,745	8,579,817	8,957,660	9,075,429
Allocation of Investment Activity	418,365				
Change in Net Assets	(984,929)	(1,344,781)	975,175	1,575,793	1,668,694
Net Assets, Beginning of Year	6,123,017	5,138,089	3,793,308	4,768,483	6,344,276
Net Assets, End of Year	\$5,138,089	\$3,793,308	\$4,768,483	\$6,344,276	\$8,012,970
Reserve Level	66%	47%	56%	71%	88%

Appendix

PAINTCARE COLORADO LLC

SUMMARY SCHEDULE OF ACTUAL AND
FORECASTED REVENUES, EXPENSES (COSTS), AND
FINANCIAL RESERVE FUND

AND

CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE
FOR THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT
AND BOARD OF DIRECTORS OF PAINTCARE INC.

For the Actual Period from January 1, 2021 through December 31, 2024 and
Forecasted Period covering January 1, 2025 through December 31, 2028

PAINTCARE COLORADO LLC

SUMMARY SCHEDULE OF ACTUAL AND FORECASTED REVENUES, EXPENSES (COSTS) AND FINANCIAL RESERVE FUND AND CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE FOR THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT AND BOARD OF DIRECTORS OF PAINTCARE INC.

For the Actual Period from January 1, 2021 through December 31, 2024 and Forecasted Period covering January 1, 2025 through December 31, 2028

CONTENTS	PAGE(S)
Independent Accountant's Examination Report	1-2
Forecasted Financial Information:	
Summary Schedule of Forecasted Revenues, Expenses (Costs), and Financial Reserve Fund (A)	3
Summary and Detail Schedule of Actual and Forecasted Revenues, Expenses (Costs), and Financial Reserve Fund (B)	4
Calculated Average Unitized Paint Stewardship Fee for the Colorado Department of Public Health and Environment (B)	5
Notes to Forecasted Financial Information	6-13

(A) For the Forecasted Period (only) covering January 1, 2025 through December 31, 2028

(B) For the Actual Period from January 1, 2021 through December 31, 2024 and Forecasted Period covering January 1, 2025 through December 31, 2028



INDEPENDENT ACCOUNTANT'S STEWARDSHIP FEE EXAMINATION REPORT

Nichole Dorr, VP State Programs
PaintCare Colorado LLC

Pursuant to PaintCare Colorado LLC's (PCCO) engagement letter dated on March 3, 2025, we have examined the accompanying summary of forecasted revenues, expenses (costs), and financial reserve fund prepared by the management of PCCO with regard to operating a paint recycling program required by the Colorado Revised Statutes (C.R.S.) 25-17-404, and the calculated average unitized paint stewardship fee by container size that PCCO has proposed to fund the program for the multi-year operational period covering January 1, 2025 through December 31, 2028 (collectively the forecast), and including actual operating revenue and expenses (costs) that PCCO has incurred from January 1, 2021 through December 31, 2024, including the related summary of significant assumptions and accounting policies of PCCO, based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). PCCO's management is responsible for preparing and presenting the forecast in accordance with guidelines for the presentation of a forecast established by the AICPA and the forecast was prepared for the purpose of complying with C.R.S. 25-17-404. Our responsibility under C.R.S. 25-17-404 is to express an opinion that the assessment fee by container size does not exceed the costs of the paint stewardship program and to recommend an amount for such paint stewardship assessment to the department based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Also, we are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

INDEPENDENT ACCOUNTANT'S STEWARDSHIP FEE EXAMINATION REPORT
(continued)

In our opinion, the accompanying forecast is presented, in accordance with the guidelines for presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for PCCO's forecast, in all material respects. Also, in our opinion the PCCO's uniform paint stewardship assessment fee of \$0.35 , \$0.75, and \$1.60 by each container size (larger than half pint up to smaller than one gallon, one gallon to two gallons, and larger than two gallons up to five gallons, respectively) charged on all paint containers sold at retail to Colorado state consumers from January 1, 2025 through March 31, 2026, and uniform paint stewardship assessment fee of \$0.50, \$1.15, and \$2.25 by each container size (larger than half pint up to smaller than one gallon, one gallon to two gallons, and larger than two gallons up to five gallons, respectively) charged on all paint containers sold at retail to Colorado state consumers starting April 1, 2026 is reasonable, within the meaning of C.R.S. 25-17-404, to cover the expenses (costs) of operating the architectural paint stewardship program and maintain financial reserves sufficient to operate said program over the multi-year period from January 1, 2025 through December 31, 2028.

There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying documents contain confidential proprietary business information of PCCO and other parties that should not be publicly disclosed. Also, the accompanying forecast statements and our report are intended solely for the information and use of the Colorado Department of Public Health and Environment and management of the PCCO, and are not intended to be used and should not be used by anyone other than these specified parties.

Sydney Pettit-Corydon, P.A.

June 10, 2025

PAINTCARE COLORADO LLC

SUMMARY SCHEDULE OF FORECASTED REVENUES, EXPENSES
(COSTS), AND FINANCIAL RESERVE FUND
FOR THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT
AND THE BOARD OF DIRECTORS OF PAINTCARE INC.
For the Forecasted Period covering January 1, 2025 through December 31, 2028

FORECASTED REVENUES

Paint stewardship (recycling) fee - NOTE B	\$ 37,543,531	(1)
TOTAL REVENUES	37,543,531	

FORECASTED EXPENSES

Collection, transportation, and processing - NOTE C	\$ 27,280,053	
Communications - NOTE D	2,450,000	
Corporate overhead allocation - NOTE E	2,345,652	
Salaries and benefits, state reporting fees, travel, and administrative - NOTE F	2,592,945	
TOTAL EXPENSES	34,668,650	(2)

**INCREASE IN FORECASTED RESERVE BALANCE
BEFORE NET INVESTMENT ACTIVITY**

2,874,881

Net investment activity - NOTE H	0
----------------------------------	---

**INCREASE IN FORECASTED NET RESERVE BALANCE FOR THE
PERIOD COVERING JANUARY 1, 2025 THROUGH DECEMBER 31, 2028**

2,874,881

BEGINNING RESERVE BALANCE AT DECEMBER 31, 2024

5,138,089 (3)

FORECASTED RESERVE BALANCE AT DECEMBER 31, 2028 - NOTE H\$ 8,012,970

(1) For the forecasted period from January 1, 2025 through March 31, 2026, retailers will collect a \$0.35 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.75 fee for each one to two gallons paint container unit sold, and \$1.60 fee for each paint container larger than two gallons up to five gallons sold in Colorado. Effective April 1, 2026 through December 31, 2028, retailers will collect a \$0.50 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$1.15 fee for each one to two gallons paint container unit sold, and \$2.25 fee for each paint container larger than two gallons up to five gallons sold in Colorado.

(2) Includes the forecasted period expenses covering January 1, 2025 through December 31, 2028.

(3) Beginning reserve balance includes the cumulative reserve for the program from its inception through December 31, 2024, and includes pre-operational costs incurred prior to the program's implementation.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE
BY PCCO AND THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT**

See Notes to Forecasted Financial Information and Accountant's Report

PAINTCARE COLORADO LLC

SUMMARY AND DETAIL SCHEDULE OF ACTUAL AND FORECASTED REVENUES,
EXPENSES (COSTS), AND FINANCIAL RESERVE FUND
FOR THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT
AND THE BOARD OF DIRECTORS OF PAINTCARE INC.
For the Actual Period from January 1, 2021 through December 31, 2024 and
Forecasted Period covering January 1, 2025 through December 31, 2028

See Page 3 of Report

	Actual Period from January 1, 2021 through December 31, 2024	+	Forecasted Period covering January 1, 2025 through December 31, 2028	=	Total
FORECASTED REVENUES					
Paint stewardship (recycling) fee - NOTE B					
Larger than half pint up to smaller than a gallon	\$ 2,233,821		\$ 2,949,185		\$ 5,183,006
One to two gallons	12,569,895		17,958,361		30,528,256
Larger than two gallons up to five gallons	11,722,589		16,635,985		28,358,574
TOTAL REVENUES	26,526,305		37,543,531		64,069,836 (1)
FORECASTED EXPENSES					
Collection, transportation, and processing	23,644,202		27,280,053		50,924,255
Communications	2,519,376		2,450,000		4,969,376
Corporate overhead allocation	1,849,606		2,345,652		4,195,258
Salaries and benefits, state reporting fees, travel, and administrative	1,996,613		2,592,945		4,589,558
TOTAL EXPENSES	30,009,797		34,668,650		64,678,447 (2)
Other Income:					
Net investment activity - NOTE H	465,632		0		465,632
FORECASTED NET RESERVE/(DEFICIT) BALANCE - NOTE H	\$ (3,017,860)		\$ 2,874,881		\$ (142,979)
BEGINNING RESERVE BALANCE AT DECEMBER 31, 2020 AND DECEMBER 31, 2024, RESPECTIVELY	8,155,949		5,138,089		8,155,949 (3)
RESERVE BALANCE AT DECEMBER 31, 2024 AND DECEMBER 31, 2028, RESPECTIVELY	\$ 5,138,089		\$ 8,012,970		\$ 8,012,970

(1) For the forecasted period from January 1, 2025 through March 31, 2026, retailers will collect a \$0.35 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.75 fee for each one to two gallons paint container unit sold, and \$1.60 fee for each paint container larger than two gallons up to five gallons sold in Colorado. Effective April 1, 2026 through December 31, 2028, retailers will collect a \$0.50 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$1.15 fee for each one to two gallons paint container unit sold, and \$2.25 fee for each paint container larger than two gallons up to five gallons sold in Colorado.

(2) Includes actual period from January 1, 2021 through December 31, 2024 and forecasted period covering January 1, 2025 through December 31, 2028.

(3) Beginning reserve balance includes the cumulative reserve for the program from its inception through December 31, 2020, and includes pre-operational costs incurred prior to the program's implementation.

CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE BY PCCO AND THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT

See Notes to Forecasted Financial Information and Accountant's Report

PAINTCARE COLORADO LLC

CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE
FOR THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT
AND THE BOARD OF DIRECTORS OF PAINTCARE INC.

For the Actual Period from January 1, 2021 through December 31, 2024 and
Forecasted Period covering January 1, 2025 through December 31, 2028

FORECASTED CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE

FORECASTED CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE				Forecasted Period				
(1) Unit Fee 1/1/2021 - 3/31/2026	(1) Proposed Unit Fee 4/1/2026 - 12/31/2028	Actual and Forecasted Units Sold 1/1/2021 - 3/31/2026 (2)	Forecasted Units Sold 4/1/2026 - 12/31/2028 (3)	Actual Period from January 1, 2021 through December 31, 2024 (4)	+ Forecasted Period covering January 1, 2025 through March 1, 2026 (5)	+ Forecasted Period covering April 1, 2026 through December 31, 2028 (6)	= Total Combined Actual and Forecasted Revenue	
REVENUE								
Larger than half pint up to smaller than a gallon	\$ 0.35	\$ 0.50	8,301,064	4,555,267	\$ 2,233,821	\$ 671,551	\$ 5,183,006	
One to two gallons	0.75	1.15	21,717,105	12,382,980	12,569,895	3,717,934	30,528,256	
Larger than two gallons up to five gallons	1.60	2.25	9,643,019	5,746,552	11,722,589	3,706,242	28,358,574	
TOTAL REVENUES				26,526,305	8,095,727	29,447,804	64,069,836	
LESS: EXPENSES				(30,009,797)	(10,200,699)	(24,467,951)	(64,678,447)	
CHANGE IN FORECASTED RESERVE BALANCE BEFORE NET INVESTMENT ACTIVITY				(3,483,492)	(2,104,972)	4,979,853	(608,611)	
Net investment activity - NOTE H				465,632	0	0	465,632	
FORECASTED RESERVE/(DEFICIT) BALANCE				\$ (3,017,860)	\$ (2,104,972)	\$ 4,979,853	\$ (142,979)	
BEGINNING RESERVE BALANCE AT DECEMBER 31, 2020							8,155,949 (7)	
RESERVE BALANCE AT DECEMBER 31, 2028						\$2,874,881 See Page 4 of Report	\$ 8,012,970	

(1) For the actual period from January 1, 2021 through December 31, 2024 and the forecasted period covering January 1, 2025 through March 31, 2026, retailers will collect a \$0.35 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.75 fee for each one to two gallons paint container unit sold, and \$1.60 fee for each paint container larger than two gallons up to five gallons sold in Colorado. Effective April 1, 2026 through December 31, 2028, retailers will collect a \$0.50 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$1.15 fee for each one to two gallons paint container unit sold, and \$2.25 fee for each paint container larger than two gallons up to five gallons sold in Colorado.

(2) Actual unit sales for the period January 1, 2021 through December 31, 2024 and forecasted unit sales for the period covering January 1, 2025 through March 31, 2026.

(3) Forecasted unit sales for the period covering April 1, 2026 through December 31, 2028.

(4) Includes actual operating revenues and expense for the period covering January 1, 2021 through December 31, 2024, subject to the fees collected at retail (\$0.35 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.75 fee for each one to two gallons paint container unit sold, and \$1.60 fee for each paint container larger than two gallons up to five gallons).

(5) Includes forecasted operating revenues and expense for the period covering January 1, 2025 through March 31, 2026, subject to the fees collected at retail (\$0.35 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.75 fee for each one to two gallons paint container unit sold, and \$1.60 fee for each paint container larger than two gallons up to five gallons).

(6) Includes forecasted operating revenues and expense for the period covering April 1, 2026 through December 31, 2028, subject to the fees collected at retail (\$0.50 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$1.15 fee for each one to two gallons paint container unit sold, and \$2.25 fee for each paint container larger than two gallons up to five gallons).

(7) Beginning reserve balance includes the cumulative reserve for the program from its inception through December 31, 2020, and includes pre-operational costs incurred prior to the program's implementation.

CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE BY PCCO AND THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT

PAINTCARE COLORADO LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2021 through December 31, 2024 and
Forecasted Period covering January 1, 2025 through December 31, 2028

NOTE A – SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES

PaintCare Colorado LLC (PCCO) is a wholly owned subsidiary of PaintCare, Inc. and was established to operate the paint recycling program in the state of Colorado. The accompanying summary schedules of forecasted revenues, expenses (costs), and financial reserve fund and calculated average unitized paint stewardship fee for the Colorado Department of Public Health and Environment (CDPHE) presents, to the best of management's knowledge and belief, the PCCO's expected forecasted revenues, expenses (costs), and financial reserve fund and calculated average unitized paint stewardship fee for the CDPHE for the forecasted period.

The forecast reflects the actual and expected costs to operate a paint stewardship (recycling) program from January 1, 2021 through the end of forecasted period as required by the Colorado Revised Statutes (C.R.S.) 25-17-404. The forecast also includes the calculation of the average unitized paint stewardship fee per container size sold at retail that PCCO has proposed to fund that program for the multi-year operational period covering January 1, 2025 through December 31, 2028. The forecast also includes the actual operating revenues and expenses (costs) from January 1, 2021 through December 31, 2024 and forecasted operating revenues and expenses (costs) from January 1, 2025 through December 31, 2028 (collectively the forecast), including the related summary of significant assumptions and accounting policies of PaintCare Colorado LLC. Accordingly, the forecast reflects management's assumptions as of June 10, 2025, the date of this forecast, of the forecasted expenses of operation of the program, and the proposed unitized paint stewardship fee per container size sold at retail that would be needed to cover these expenses and to establish and maintain a financial reserve.

The forecast is designed to provide information to the CDPHE regarding the calculation of the paint stewardship fee and whether it is a reasonable amount to cover the expenses of the program and to establish a reserve fund for program expenses as of December 31, 2028. Accordingly, this presentation should not be used for any other purposes.

The assumptions disclosed herein are those that management believes are significant to the forecast. The forecasted revenues and expenses are presented on an accrual basis, and there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE BY
PCCO AND THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT**

PAINTCARE COLORADO LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2021 through December 31, 2024 and
Forecasted Period covering January 1, 2025 through December 31, 2028

NOTE B – PAINT STEWARDSHIP (RECYCLING) FEE REVENUE

The paint stewardship (recycling) fee collected will provide the revenue to fund the expenses for the paint stewardship (recycling) program. Retailers will collect a \$0.35 fee for each larger than half pint up to smaller than one gallon paint container unit sold, \$0.75 fee for each one gallon to two gallons paint container unit sold, and \$1.60 fee for each larger than two gallons up to five gallons paint container unit sold from January 1, 2025 through March 31, 2026 (current, approved fee). Based on the recalculation of the fee required, effective April 1, 2026, retailers will collect a \$0.50 fee for each larger than half pint up to smaller than one gallon paint container unit sold, \$1.15 fee for each one gallon to two gallons paint container unit sold, and \$2.25 fee for each larger than two gallons up to five gallons paint container unit sold beginning April 1, 2026 through December 31, 2028 (see table below).

Management estimated the stewardship fee revenue for the forecasted period by making certain assumptions. The significant assumptions made by management were the estimated population growth of the state of Colorado, per capita paint sales, and paint container size purchasing trends in the state of Colorado. The forecasted period beginning in 2025 is primarily modeled after the results of 2023 and 2024, the two most recent years of full operations. Using data from the United States Census, the historical population growth in the state of Colorado from 2020 through 2023 was an increase of 0.53%. Management does not expect the population growth rate in the state of Colorado to have a significant impact on sales per capita during the forecasted period. Management expects continued construction growth in both residential and commercial in the state of Colorado during the forecasted period. Therefore, management believes sales during the forecasted period of 2025 through 2028 will have a projected 3.00% average growth rate.

PCCO is funded by a fee paid by paint manufacturers for each can of paint they sell in the state. Manufacturers pass the fee to retailers, who then apply it to the price of paint. Stores can choose whether or not to show the fee on their receipts. The fee will be based on the size of the container as follows:

<u>Container Size</u>	<u>Fee 1/1/2025 – 3/31/2026</u>	<u>Fee 4/1/2026 – 12/31/2028</u>
Larger than half pint up to smaller than 1 gallon	\$0.35	\$0.50
1 gallon to 2 gallons	\$0.75	\$1.15
Larger than 2 gallons up to 5 gallons	\$1.60	\$2.25

Revenue from the paint stewardship fee is estimated to be \$37,543,531 for the forecasted period January 1, 2025 through December 31, 2028.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE BY
PCCO AND THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT**

PAINTCARE COLORADO LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2021 through December 31, 2024 and
Forecasted Period covering January 1, 2025 through December 31, 2028

NOTE C – COLLECTION, TRANSPORTATION, AND PROCESSING EXPENSES

Units collected and collection expenses:

Program products are architectural paints in containers no larger than five gallons in size. They do not include industrial coatings, coatings used for original equipment manufacturing, and other specialty coatings.

In the development of management's paint collection infrastructure expense model for the state of Colorado for 2025 through 2028, management considered actual costs for running the program from 2021 through 2024, and the following factors and assumptions:

- Household hazardous waste (HHW) facilities and events:
HHW facilities and events provide their customers the convenience of dropping off other products at the same time as paint.
- Solid waste facilities (transfer stations, recycling centers, and landfills):
Solid waste facilities provide their customers the convenience of dropping off other products at the same time as paint, and they often have regular customers that have used their facilities for many years.
- Retail stores:
Retailer participation as a paint drop-off site is voluntary. Retailers are not compensated for being a drop-off site. PCCO has identified approximately 577 paint retailers in Colorado, of which approximately 393 stores were identified as potential drop-off sites. As of December 31, 2024, 180 of these retailers were participating as drop-off sites.
- Material reuse stores:
Sites may operate reuse areas in which they place leftover paint that was brought to their site in good condition to be given away or sold "as is" to their customers and local community. This paint management method represents the highest, best use of paint and typically reduces program costs by avoiding the transportation and processing costs that would otherwise be required to manage the paint. PaintCare may provide compensation for reuse services.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE
BY PCCO AND THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT**

PAINTCARE COLORADO LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2021 through December 31, 2024 and
Forecasted Period covering January 1, 2025 through December 31, 2028

NOTE C – COLLECTION, TRANSPORTATION, AND PROCESSING EXPENSES (continued)

Units collected and collection expenses (continued):

- Direct pick-up or large volumes:

Large Volume Pick-up (LVP) Service is free to the customer and will be offered to Colorado painting contractors, other businesses, organizations, and households with large volumes of paint with a minimum quantity, currently 100 gallons by container size. The service allows approved users to have paint picked up at their business or home.

Recurring Large Volume Pick-up (RLVP) Service is a free service also offered to painting contractors and other businesses and organizations that generate large volumes of leftover paint on an on-going basis.

- PaintCare events:

Paint drop-off events may be held by PCCO in areas of the state that are not within 15 miles of a paint drop-off site or have too few drop-off sites for the population of the area, and participants from any place in Colorado will be allowed to use the events.

Collection expenses:

Expenses to operate the program and various key assumptions include:

- Paint processing: This is the most significant expense of the program. PCCO contracts for processing and proper end-of-life management of postconsumer paint collected in the program. Expenses are forecasted based upon signed vendor agreements for processing paint. See further details on processing expenses below.
- Paint transportation: These expenses include the cost of transporting paint bins from paint drop-off sites. Expenses are forecasted based upon signed vendor agreements for paint transportation. See further details on transportation expenses below.
- Collection supplies and support: These expenses include the cost of paint collection bins, spill kits, PaintCare event expenses, labor to assist LVP sites to pack their paint, and payments for additional activities at sites (reuse). As of December 31, 2024, there were approximately 212 total drop-off sites. The number of bins at each drop-off site will vary depending on the relative capacity of the stores. Retail drop-off sites will receive site visits semi-annually. HHW, solid waste facilities, and RLVP sites will be visited annually.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE
BY PCCO AND THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT**

PAINTCARE COLORADO LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2021 through December 31, 2024 and
Forecasted Period covering January 1, 2025 through December 31, 2028

NOTE C – COLLECTION, TRANSPORTATION, AND PROCESSING EXPENSES (continued)

Transportation and processing expenses:

Transportation and processing costs include fees paid to vendors to:

1. Transport discarded paint container units from drop-off sites to the recycler's processing facility, and
2. Process paint for recycling and proper end-of-life management.

As of the date of this examination report, PCCO has engaged, under separate contracts, five transporters, which provides management reasonable estimates of transportation and processing expense. Under the terms of these agreements, transportation costs are computed based on zones and processing costs are computed by weight. These estimates were used for projecting this expense over the forecasted period.

Management has made certain assumptions to develop the forecasted collection, transportation, and processing (C, T, P) expenses:

The C, T, P contracts (noted above) are expected to be up for renegotiation in 2027. The forecasted C, T, P costs for 2027 are projected to increase by 5.00% due to expected vendor contract price increases. The forecasted C, T, P costs for 2025, 2026, and 2028 are projected to increase approximately 1.00% per year, which is similar to the historical price increases in years when contracts are not renegotiated. Additionally, forecasted C, T, P costs are based on actual costs, signed vendor contracts, trends, and comparison to the prior periods and budgets.

The total collection, transportation, and processing costs are estimated to be \$27,280,053 for the forecasted period January 1, 2025 through December 31, 2028.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE
BY PCCO AND THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT**

PAINTCARE COLORADO LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2021 through December 31, 2024 and
Forecasted Period covering January 1, 2025 through December 31, 2028

NOTE D – COMMUNICATION EXPENSES

Communications:

These expenses include advertising and promotional materials to increase awareness of program, with PCCO performing education and outreach efforts to promote the paint stewardship program in Colorado. PCCO may utilize various outreach methods including distribution of point-of-sale materials, fact sheets, and signage, as well as messaging delivered via social media, digital and outdoor ads, radio, streaming, online video, print ads, and TV to promote the Colorado paint recycling program to a widespread audience and increase overall awareness of the program.

Communications costs are based on current written contracts with public relations agencies to promote and manage marketing for the recycling program. Costs also include expenses incurred to obtain third-party products and services such as advertising space, public education, point of sale marketing outreach, website maintenance, conferences and events, and customer service. Management estimated marketing outreach, point of sale, and advertising costs based on anticipated costs in 2025 through 2028. In 2025, communication costs are expected to be approximately \$200,000, due to reducing costs based on the forecasted deficit for the year. Beginning in 2026 through 2028, PCCO is expected to incur communication costs of approximately \$750,000 per year, respectively, to provide public education and outreach expenditures in the state of Colorado.

The forecasted collection, transportation, and processing costs are estimated to be \$2,450,000 for the forecasted period January 1, 2025 through December 31, 2028.

NOTE E – CORPORATE OVERHEAD ALLOCATION

Overhead expenses are those that are not specific to Colorado, but support all PaintCare state stewardship programs. These costs include:

Administrative and corporate staff, back-office support (information technology, human resources, legal, accounting, and government affairs), insurance, data management systems, annual financial audit, software licenses, professional services for corporate or organization-wide matters, occupancy, general communications, and other supplies and services that support all PaintCare programs.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE
BY PCCO AND THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT**

PAINTCARE COLORADO LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2021 through December 31, 2024 and
Forecasted Period covering January 1, 2025 through December 31, 2028

NOTE E – CORPORATE OVERHEAD ALLOCATION (continued)

Corporate expenses are allocated among all PaintCare state stewardship programs based on their relative populations in the most recent census and began to be assessed in Colorado state about six months before the program started. Colorado represents 5.27% of the combined population of all states participating in the PaintCare programs. Total corporate overhead costs allocated to the states is expected to increase approximately 5.00% per year.

The portion of overhead costs allocated to Colorado are estimated to be \$2,345,652 for the forecasted period January 1, 2025 through December 31, 2028.

NOTE F – SALARIES, STATE REPORTING, TRAVEL, AND ADMINISTRATIVE

Total actual and forecasted salaries and benefits, state reporting, travel, and administrative (including legal costs), include costs required to run the paint stewardship program.

Direct expenses are allocated to Colorado's paint stewardship program based upon direct effort where they can be specifically identified. These costs include:

- a. Personnel: These expenses include the cost of three employees, at varying rates, working directly to run the program, and are expected to increase approximately 4.00% per year. Salary and benefits are estimated to be \$1,724,391 for the forecasted period January 1, 2025 through December 31, 2028.
- b. State oversight: This expense is paid by PaintCare to the Colorado Department of Public Health and Environment for oversight of the paint stewardship program. CO state reporting fees are \$120,000 per year. The estimated state oversight costs are \$480,000 for the forecasted period January 1, 2025 through December 31, 2028.
- c. Travel: Management has developed forecasted travel expenses with the assumption that the program coordinators will visit each location statewide once or twice per year. These costs will include airfare, lodging, mileage, and meals, and are estimated to be \$299,985 for the forecasted period January 1, 2025 through December 31, 2028.
- d. Administration: These expenses include supplies, printing, subscriptions, occupancy, and other general expenses that are forecasted based on other state programs and historical actuals. Costs for administrative expenses are estimated to be \$17,369 for the forecasted period January 1, 2025 through December 31, 2028.
- e. Professional services: These expenses include the legal costs for regulatory review and developing contracts, and other logistical and professional support. Management modeled forecasted professional fees on the historical costs and actual costs of other state programs. Costs for professional services are estimated to be \$71,200 for the forecasted period January 1, 2025 through December 31, 2028.

The total salaries, state reporting, travel, and administrative expenses are estimated to be \$2,592,945 for the forecasted period January 1, 2025 through December 31, 2028.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE
BY PCCO AND THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT**

PAINTCARE COLORADO LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual Period from January 1, 2021 through December 31, 2024 and
Forecasted Period covering January 1, 2025 through December 31, 2028

NOTE G – OPERATING (FINANCIAL) RESERVE FUND

The PCCO financial policies require an operating (financial) reserve to sustain the program in times of either higher than expected paint collection volumes resulting in higher expenses, lower than expected paint sales resulting in less revenues, or a combination of the two. PCCO management and staff use prudent financial management in allocating net asset funds between unrestricted (necessary for working capital needs and current operations) versus board-designated financial reserves (necessary for the long-term viability of the recycling program). We also note that unlike a governmental entity, PCCO cannot bridge cash flow shortfalls by accessing additional working capital (cash) or other financing from other governmental sources. Therefore, PCCO has taken the position that having operating cash on hand, as well as a reserve, is fiscally responsible.

PCCO's reserves policy establishes a target reserve as a percentage of annual expenses and sets a minimum and maximum threshold. PCCO currently has a target reserve of 100% of annual expenses (twelve-months of operating expenses), with a minimum threshold of 75% (nine-months) and a maximum threshold of 125% (fifteen-months).

Management estimated that the forecasted paint stewardship fee of \$0.50 for each paint container larger than half pint up to smaller than one gallon, \$1.15 for each one gallon to two gallons paint container, and \$2.25 for each paint container larger than two gallons up to five gallons sold, effective April 1, 2026 through December 31, 2028, will result in the net reserve fund at December 31, 2028 to be forecasted at \$8,012,970, which is approximately 88% of twelve-months of 2028's estimated operating expenses of \$9,075,429. This amount is above management's target reserve policy minimum threshold of 75% and compliant with their target reserve threshold.

NOTE H – INVESTMENT INCOME

States in the PaintCare program have the opportunity to participate in PaintCare's investment activity allocation. PaintCare invests a portion of its accumulated surplus in a single financial portfolio. The objective of the portfolio is to earn a return equal to the rate of inflation to preserve the purchasing power of its capital. Interest, dividends, changes in market value, and other investment activities are allocated to each participating state program based on the relative net assets of each state program. PaintCare Colorado currently participates in the investment activity. Due to the variability and unpredictability of investments, PCCO has elected to exclude investment income in the forecasted period January 1, 2025 through December 31, 2028.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA WHICH IS RESTRICTED FOR USE
BY PCCO AND THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT**