

Proposal K

“Better Tiers - UPDATED Definition of Earned Revenue”

Plan Description:

This Plan is identical in principle to “Better Tiers - Same Definition of Earned Revenue” plan but changes the definition of Earned Revenue.

	Rate	From	To
- Bracket One	0.65%	\$0	\$15,000,000
- Bracket Two	0.35%	\$15,000,001	\$60,000,000
- Bracket Three	0.10%	\$60,000,001	Infinity

While dues are assessed on Earned Revenue, Members in fact pay dues with operating margin (revenue – expenses). And each type of revenue at Goodwill appears to have structurally different operating margins on a historical basis.

EXPENSE-TO-REVENUE RATIO (E/R) - NORTH AMERICA

Revenue Type	2021	2019	2018	2017	2016	Avg	Max	Min	2022 Revenue	% of Total
Donated Goods Retail	75.30	82.77	82.97	83.85	82.96	79.67	83.85	75.18	\$ 5,997,061,230	79%
Business Services	91.31	91.58	91.81	93.39	93.30	93.22	95.20	91.31	\$ 733,297,198	10%
Program Services	113.66	119.38	115.05	116.20	117.50	117.51	122.21	111.78	\$ 610,817,116	8%
Schools	96.70	102.29	107.41			102.13	107.41	96.70	\$ 81,679,289	1%
Other Operating Revenues	77.40	122.09	118.21	105.91	109.94	108.88	122.09	77.40	\$ 67,645,362	1%
Foundations	50.91	88.56	97.22			78.90	97.22	50.91	\$ 34,851,611	0%
G&A Revenues	9.21	9.93	9.93	10.29	10.80	10.35	10.90	9.21	\$ 35,981,809	0%
Operating Total	88.98	96.87	97.52	98.10	98.50	95.49	98.50	88.98	\$ 7,561,333,615	100%
Grand Total	85.42	95.78	97.36	98.01	98.36	94.90	98.36	85.42		

Business Services Op. Margin as a % of DGR Op. Margin	35%	49%	48%	41%	39%	35%	49%	20%

NOTE: 2020 data is excluded due to impact of pandemic.

Since 2011, Program Services, Schools, and Other Operating Revenue have each averaged over a 100% E/R. And revenue from Foundations and General & Administrative Revenues are immaterial – making up only 1% of total revenue. As a result, each of the above revenue streams have been excluded from the definition of Earned Revenue under this Plan.

Business Services make up 10% of current dues assessed revenue in 2022 at \$733M and has operated on average at a 93.2% E/R since 2011. Relatedly, Donated Goods Retail has operated on average at a 79.7% E/R since 2011. As such, **Business Services has been only 35% as profitable as Donated Goods Retail** on average since 2011. Therefore, this Plan discounts Business Services Earned Revenue by 50% to account for this sustained operating margin difference.

• Rationale of Equity

- In current structure, the amount of dues that the smallest Goodwill pays in dues as a percentage of Earned Revenue is 16.7x than the largest Goodwill.
- The Plan reduces the above difference to 3.9x.
- The Plan also necessarily removes the cap on dues.
 - If a cap remains in place, it is just a function of time for inequity to build back into the system.
 - In this Plan, dues are a mere 10 cents for every \$100 earned for Goodwills with over \$60M in Earned Revenue.
 - Over time, the inequity of this plan can only grow to a theoretical maximum of 6.5x.

- **Incentivize Growth**

- A regressive tiered-rate dues structure disingenuously incentivizes growth because a territory with a small number of households will not have a realistic path to tiers with lower rates.

Other Key Features:

- **Revenue-neutral**
- **Reasonable glidepath: 5-year**
- **Changes definition of Earned Revenue.**
 - Excludes from Earned Revenue the following:
 - Program Services
 - Schools
 - Foundations
 - General & Administrative Revenues
 - Other Operating Revenue
 - Plan **discounts revenue from Business Services by 50%** based on its structural and historical difference in profitability as compared to revenue from DGR.

Bracket Ranges		Dues Percentage
0	\$15,000,000	.65%
\$15,000,000	\$60,000,000	.35%
>\$60,000,000		.1%

Equity Ratio (Dues Percentage for Highest Earned Revenue Goodwills to Lowest Earned Revenue Goodwills - with Earned Revenue defined by proposer)					
	2024	2025	2026	2027	2028
	2.8	2.8	2.8	2.8	2.8
Total GII Dues Revenue Projected					
Current Structure	\$26,510,633	\$27,305,952	\$28,125,130	\$28,968,884	\$29,837,951
Proposed Structure	\$26,414,233	\$27,206,660	\$28,022,859	\$28,863,545	\$29,729,452
Change in GII Revenue	-\$96,400	-\$99,292	-\$102,271	-\$105,339	-\$108,499