

## Proposal L

### "Point Three for Everybody – UPDATED Definition of Earned Revenue"

#### Plan Description:

This Plan is identical in principle to "Point Three for Everybody – Same Definition of Earned Revenue" plan but changes the definition of Earned Revenue. Below is an overview:

	Rate	From	To
- Bracket One	0.375%	\$0	\$900,000,000
- Bracket Two	0.01%	\$900,000,001	\$1,000,000,000
- Bracket Three	0.01%	\$1,000,000,001	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%
<b>Operating Total</b>	<b>88.98</b>	<b>96.87</b>	<b>97.52</b>	<b>98.10</b>	<b>98.50</b>	<b>95.49</b>	<b>98.50</b>	<b>88.98</b>	<b>\$ 7,561,333,615</b>	<b>100%</b>
<b>Grand Total</b>	<b>85.42</b>	<b>95.78</b>	<b>97.36</b>	<b>98.01</b>	<b>98.36</b>	<b>94.90</b>	<b>98.36</b>	<b>85.42</b>		

  

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

- Each Member has full autonomy and responsibility for every dollar of Earned Revenue it chooses to earn.
  - And as part of belonging to a member organization, each Member should reserve some portion of every dollar earned to support that member organization.
- A regressive tiered rate dues structure is fundamentally inequitable based on the **wide range of households per territory** across the Membership.
  - The number of households within a territory can serve as a proxy for the **market size potential** of that territory.
  - Below is an example of this inequity in action:

- 42 Goodwills with 337K households or less would need to surpass Portland’s network-leading \$126 Revenue per HH before they could enjoy ‘dues-free’ growth which Portland has enjoyed for the past 20 years - growing over \$140M in ‘dues-free’ revenue during that period.
  - Conversely, Portland has enjoyed ‘dues-free’ growth once it exceeded \$30 revenue per HH because it has 1,421,467 Households in its territory.

**Other Features:**

- **Revenue-neutral**
- **Reasonable glidepath: 5-year**

Bracket Ranges		Dues Percentage
0	900,000,000	.375%
900,000,001	1,000,000,000	.01%
>1,000,000,001		.01%

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
	1.0	1.0	1.0	1.0	1.0
<b>Total GII Dues Revenue Projected</b>					
Current Structure	\$26,510,633	\$27,305,952	\$28,125,130	\$28,968,884	\$29,837,951
Proposed Structure	\$26,527,781	\$27,323,614	\$28,143,323	\$28,987,622	\$29,857,251
Change in GII Revenue	\$17,148	\$17,662	\$18,193	\$18,738	\$19,300