

From: Sean Rositano [<mailto:srositano@gryphonfg.com>]

Sent: Tuesday, August 23, 2016 3:10 PM

To: Steve Rymer

Subject: Gryphon Financial Group re Aug 24 matter

Dear Steve,

I am writing on behalf of the employees and shareholders of Gryphon Financial Group, Inc. upon learning quite recently that Morgan Hill has chosen to revisit **acceleration of the municipal minimum wage**. While we understand that the objective is to consider regionalizing our local approach, you may not recognize the deleterious effect proposed minimum wage acceleration would have on some of the last upwardly mobile professional type employment still remaining in Morgan Hill.

[Note: In addition to the information below, please see attached file for important support materials. You will receive hard copies of all materials at the City offices today.]

Executive Summary:

- Gryphon Financial Group, Inc. is one of Morgan Hill's largest private employers.
- Gryphon is perhaps unique in providing an entry level professional job path here in South County: Employees at Gryphon have dramatic upward mobility no longer available elsewhere in Morgan Hill.
- While positions at Gryphon start at ~\$12/ hour *base*, those entry level positions currently total more than \$22/hour in total economic benefit including health care and retirement benefits. [Please see enclosed example wage charts; these are proprietary and confidential materials]
- A blanket wage approach does not recognize those employers who provide far more than just hourly wages to their entry level employees.
- Companies like Gryphon, which provide benefits to entry level part-timers, are quite different than the retailers, restaurant chains and hospitality employers not offering substantial benefits.
- We serve customers worldwide, competing with lower cost labor markets and cannot change pricing based on state or local regulation as restaurants and retailers can.
- Virtually every major entry level retail employer in Morgan Hill has eliminated health care benefits for their hourly employees, including Walmart, Target and Home Depot.
- Accelerating Morgan Hill beyond California's progressive Minimum Wage requirements will require Gryphon and others to either relocate or not establish here; or to eliminate health care and benefits.
- Gryphon and our employees are energetic economic and volunteer supporters of the community.
- While wage acceleration will reduce job growth in all sectors, a workable compromise solution would be to accelerate wages only for those employees where there is no employer-sponsored healthcare offered. This is the approach in Nevada.

Accelerating minimum wage increases without recognizing that some employers provide health and retirement benefits will limit Morgan Hill residents who are not pursuing high tech careers or college careers to mostly retail, restaurant and service work, while increasing the exodus of quality jobs provided by employers like Gryphon – and at one time, other firms like Verizon, Cidco and others. We receive regular calls from geographic areas offering public funds to assist Gryphon with relocation to lower cost markets.

Morgan Hill officials have expressed the desire to maintain professional jobs and protect economic opportunity for our working and middle class residents. **Over time, the wage acceleration as proposed would significantly reduce both job opportunities and the quality of employment here in Morgan Hill.**

I would be pleased to discuss Gryphon and/or the proposed changes at any time. You can most easily reach me by contacting our Executive Administrative team at 408-825-2542. See you Wednesday evening.

Sean Rositano

President/CEO

Gryphon Financial Group, Inc.

www.GryphonFinancialGroup.com

408.825.2501



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Sincerely,

Sean A. Rositano
President / CEO



GRYPHON

FINANCIAL GROUP INC.

Founded in 2005

102 Countries / 43 languages

300 Employees

\$1.2 Trillion Private Sector Audit
+ State Audits

The United States Federal Government

Unique Added Revenue Stream

Unparalleled Quality



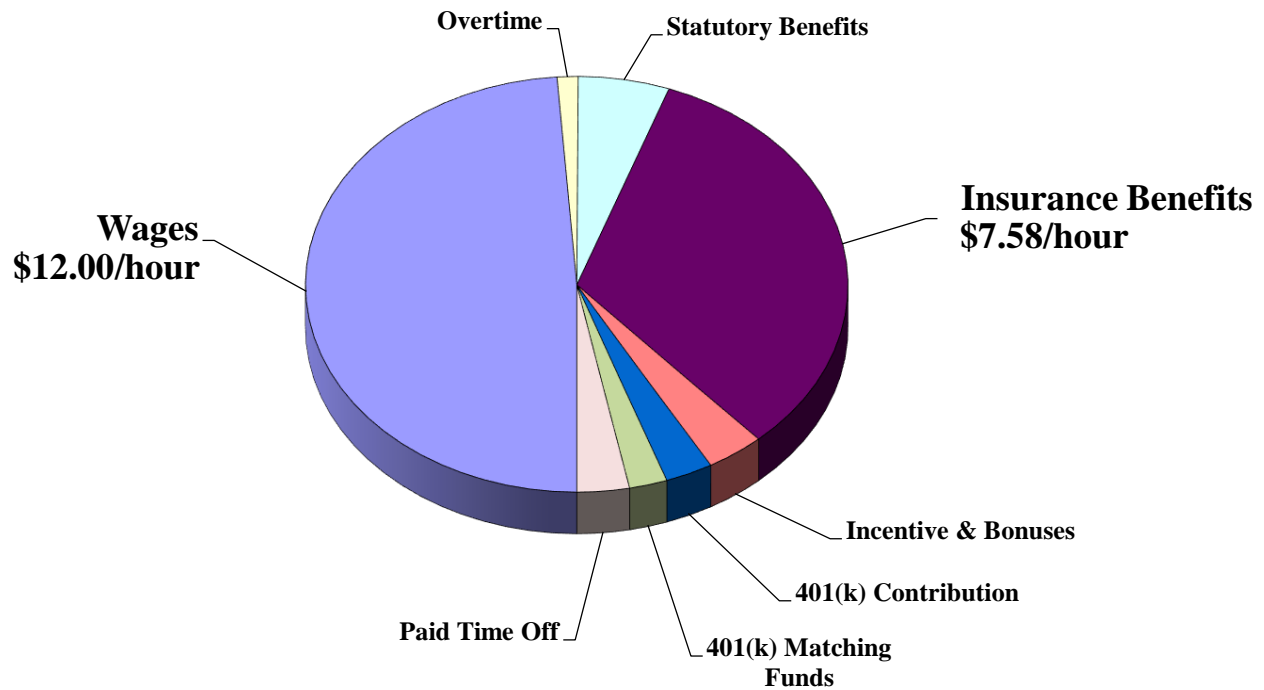
www.GryphonFinancialGroup.com

Morgan Hill, California

Example Entry Level Compensation & Benefits

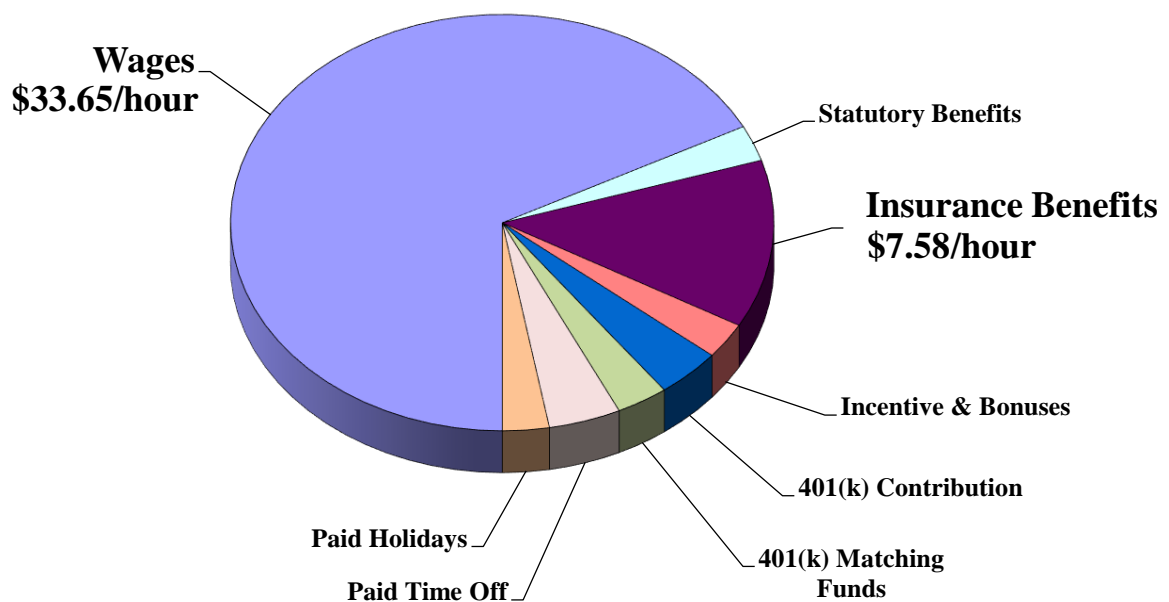
New Part-time \$12/hour employee

Total Economic Benefit – **\$22.44/hour = \$33,666/year**



4 Years Later

Total Economic Benefit – **\$43.46/hour = \$90,404/year**





One of Morgan Hill's largest private employers.

Gryphon is a Morgan Hill based Business Services firm providing specialized audit and clerical services to large multinational firms around the world. **We employ one of the largest workforces in Morgan Hill, where more than half of our employees reside.** Gryphon has twelve languages on staff [and capability in 43 languages] and we communicate with corporations in approximately 100 countries worldwide on a daily basis. We operate shifts from 2am to 11pm as needed, and hire entry level employees for our Morgan Hill headquarters location on a near monthly basis.

Perhaps unique in providing an entry level professional job path in Morgan Hill.

Gryphon may be Morgan Hill's only remaining employer providing entry-level opportunities that lead to professional employment. In addition to some professional and experienced hires, Gryphon hires a large number of college and high school graduates here in Morgan Hill every year. Many of those hires stay with Gryphon and move up into increasingly professional and lucrative positions, while for others, Gryphon provides an excellent career training ground while in college. Besides our current employee population, we have trained over 300 other local residents who, perhaps after college or a life change, have been able to move on to other corporate positions for which they would not previously have been qualified.

Benefits add tremendous economic improvement to the lives of those whom wage acceleration is intended to help.

Accelerating the minimum wage without taking into account responsible employers who are providing excellent benefits will make Morgan Hill so prohibitive that employers like Gryphon will need to choose between relocation and dropping medical and retirement benefits for most of our Morgan Hill based employees.

Following implementation of the Affordable Care Act (ACA, or “ObamaCare”), even the largest employers nationally have been forced to reconsider offering benefits. Target, Walmart, Home Depot and others have all dropped health insurance for their part-time employees.

Unlike the national retailers and restaurant chains one thinks of with entry-level positions, Gryphon provides the following benefits to our hourly Morgan Hill employees:

- **Medical, Dental and Vision insurance [This can cost Gryphon up to \$15/hour for a part-time hourly employee]**
- Three weeks of **Paid Time Off (PTO)** for every full and part time employee at start; increasing up to six weeks with tenure
- **Paid Holidays**
- **Employee Assistance program**
- **Life Insurance; AD&D, ST, LT Disability Insurances**
- **401(k) Retirement Program** with substantial **Company matching funds**
- **Incentive revenue sharing based on team results**
- Many Community volunteer opportunities

Please see enclosed charts.

Note that employees starting at \$12/hour here generally receive closer to \$22/hour in total income/benefits. For example, **medical benefits** for a 30-year old with dependent family cost Gryphon approximately \$950/month, or **\$7.31 per hour in this typical example**. Note also the tremendous wage growth available for those who excel here. This is actual employee data.

Community Economic and Philanthropic Benefits.

While Gryphon is not a retailer paying direct local taxes, our employees and the Company contribute to the City and region in many ways:

- Gryphon is the largest Morgan Hill depositor at a regional Bank, allowing that institution to multiply the amount they can provide to other local growing businesses.
- Our employees, not just our Morgan Hill residents, spend money at retailers and grocery stores here every day. In fact, we lobbied for Trader Joe’s to locate here, where it feels like “Gryphon Joe’s” after each shift is over!
- Gryphon regularly supports Community Solutions and has been recognized by Community Solutions as a partner here in Morgan Hill. We also support South Valley Civic Theater (SVCT) and the Freedom Fest.
- In addition to food and other “drives” each year, the Gryphon Employee Fund has purchased, and Gryphon employees and families have assembled, 100 bicycles for Community Solutions to distribute to local needy children during the holidays. A gift is even included with each bike.
- Employees and our Employee Fund have assembled and contributed hundreds of complete food bins for local needy families over the past few years.

Supply and demand works well in South County:

Over the years, as entry level wages rise in San Jose, we learn when to increase wages to stay competitive. There is a benefit to some employees, however, to staying in Morgan Hill each day. For those employees, the commute cost/benefit variable is an individual decision that makes Morgan Hill a more viable employment environment for entry level employees. That wage package in Morgan Hill is in competition with employment markets all over the U.S.! We are not competing with San Jose for entry level jobs: San Jose has already stratified to high education/high pay jobs and largely service work. The call centers and middle class employers have completely disappeared there. Should our Morgan Hill differential disappear, those middle class employers remaining here will be forced to listen to the pitches we receive from Las Vegas, Dallas, Kansas City, Atlanta and others who are actively courting growing employers with generous publicly funded packages.

Permanent Effect on Morgan Hill Jobs

Artificial wage floors always result in skewing labor supply and demand, though sometimes for an agreed-on societal benefit. While some employees benefit in the short run, all lower tier wage earners are harmed in the long run as larger employers are forced to seek markets where supply is met at a profitable level. **In this case, accelerating an already difficult wage floor progression will result in negative short and long term outcomes as Morgan Hill cedes its last middle class employment opportunities for highly paid limited opportunity service jobs with no benefits. Those jobs will stay, but these residents will have permanently diminished opportunities for upwardly mobile work.**