

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held on the 4th Floor of the Victor Office Center, at 201 North Washington Square, Lansing, Michigan on November 9, 1999 at 10:00 a.m.

Members Present:

Doug Rothwell
David Porteous
James Garavaglia
Phil Kazmierski (acting for and on behalf of James R. DeSana)
John McCormack
Mark A. Murray
Mary Lannoye (acting for and on behalf of Janet E. Phipps)

Members Absent:

Beth Chappell

Others Present:

Karen Ammarman, Michigan Economic Growth Authority (MEGA) Office, Michigan Economic Development Corporation (MEDC)
Barbara Bartos, Business Development Team Manager, City of Southfield
Kathy Blake, Senior VP, Business Development, MEDC
John R. Boyd, Executive VP, Signature Associates
Greg Burkart, Ernst & Young Business Incentives
Linda Dankoff, MEGA Specialist, Michigan Business Development (MBD), MEDC
Jim Donaldson, Acting VP, MBD, MEDC
Cristine Dreese, Recording Secretary to the MEGA Board, MEDC
Randy Haight, V.P. - Business Development, Jabil Circuit, Inc.
Jeff Kazmarek, Senior VP, Business Services, MEDC
Kathy Kleckner, Account Manager, MEDC
Amy Lane, Reporter, Crain's Detroit Business
Kathleen McMahon, Communications Director, MEDC
Randy Myers, Operations Manager, Jabil Circuit, Inc.
Mike Pohnl, Acting Managing Director, MBD, MEDC
William Ross, City Manager, City of Auburn Hills
Tom Schimpf, Assistant Attorney General, Michigan Attorney General's Office
Emily Staley, Public Affairs, MEDC
John Taylor, Controller, Jabil Circuit, Inc.
Bruce Weber, Corporate Controller, Decision Consultants, Inc.
Larry Weis, Public Relations, Jabil Circuit, Inc.

Call To Order

The meeting was called to order by Chairperson Rothwell at 10:05 a.m.

Prior to commencing with the agenda items, Chairperson Rothwell asked individuals in the room to introduce themselves and their affiliations.

Adoption of the Minutes from the September 15, 1999 Meeting

It was moved, supported, and carried that the minutes from the September 15, 1999 meeting be adopted.

Public Comment

There were no comments from the public.

Action Items

***Decision Consultants, Inc.
28411 Northwestern Highway
Southfield, Michigan 48034***

Chairperson Rothwell introduced Jim Donaldson from the MEDC and asked him to present the project. Mr. Donaldson summarized the key points from the briefing memo.

Project Description

Decision Consultants, inc., was founded in 1976 and now has over 2,000 employees located in 10 offices around the United States. The company provides managed services, staff supplementation, vendor management, education services and support centers for a wide variety of clients.

Due to an increase in contracts, and to accommodate anticipated future growth needs, the company will expand its operation to create a divisional headquarters for its managed services business. The divisional headquarters will be located in either Southfield, Michigan or Tampa, Florida.

The expansion would create 250 new jobs over a three-year period. Investment in the new facility and equipment is estimated at \$15.6 million. Average weekly wages would be \$1123 with the employee benefit package averaging 22 percent of wages. New hiring would start in early 2001, with full production slated for December, 2001.

The analysis done by the University of Michigan estimates the facility will generate a total of 492 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would increase by \$17,311,000 (1999 dollars) due to the presence of the Decision Consultants, Inc., facility.

Based on figures obtained from the company, the cost disadvantage for Decision Consultants, Inc., to establish its divisional headquarters in Southfield rather than Tampa is \$2.5 million annually over the term of the incentive. The cost differential is primarily attributable to wage rates and tax rates and office lease costs. Michigan Economic Development Corporation staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Florida.

The City of Southfield will provide assistance in the form of road improvements to Franklin Road, and golf memberships for new employees.

Without the assistance offered by the MEGA, Decision Consultants, Inc. would not locate in Michigan. Although the MEGA incentive eliminates only a portion of the cost differential, it tips the scales when the company considers other factors such as keeping the division, which has high growth potential close to corporate leadership. It is also felt that the company may be able to reduce travel costs if located in Southfield because all its offices in the U.S. are easily reached from Detroit Metropolitan Airport.

Staff Recommendation

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for a period of 15 years for up to 250 net new jobs.

Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee. He stated that the project dovetails nicely with the MEDC's Strategic Plan. One very important aspect of the plan and the State's future, is reversing the brain drain with high-paying jobs which will keep graduates of Michigan universities in the State.

Mr. Porteous stated that the MEGA was unable to close the gap completely, but by offering what we could, we demonstrated to the company that we care whether or not it expands here. Mr. Porteous stated the Executive Committee was recommending the Decision Consultants, Inc. project to the full Board.

Chairperson Rothwell advised the Board that the company currently has a facility in Tampa, Florida and that it could have easily expanded there.

Chairperson Rothwell asked for discussion from the Board. Mr. Garavaglia asked how many employees the company had in Michigan. The answer was 489.

At this point, Vice Chairperson Porteous indicated that the project is not an industrial facility and the company is not eligible for the a local tax abatement.

Chairperson Rothwell asked if there were any further questions. There being no further questions from the Board, it was moved, supported, and carried that Resolution 1999-014 awarding tax credits to Decision Consultants, Inc., be adopted.

Jabil Circuit, Inc.
10800 Roosevelt Avenue
St. Petersburg, Florida 33716

Chairperson Rothwell asked Jim Donaldson to present the project. Mr. Donaldson summarized the key points from the briefing memo.

Project Description

Jabil Circuit, Inc., is a designer and manufacturer of electronic circuit boards and systems for international original equipment manufacturers in personal computer, peripheral, communication, automotive and consumer markets. Jabil offers circuit design, board design from schematic, prototype assembly, volume board assembly and complete system assembly services. Sales to the automotive industry represent 10 percent of the company's total sales. The company currently has two manufacturing plants (totaling 170,000 square feet) in Auburn Hills.

Due to an increase in contracts, and to accommodate anticipated future growth, the company needs to expand an existing facility or build a new one. The company has two options. One is to build a new 150,000 square foot manufacturing facility in Auburn Hills. The other is to expand the company's Mexico facility.

This project would create 451 new jobs over the first three years of production, with capital investment estimated at \$38 million. Average weekly wages would be \$565 and the employee benefit package would average 28% of wages. Construction is slated to begin in November of 1999 and end in March, 2001. Full production at the facility is slated for May 31, 2002.

The analysis done by the University of Michigan estimates facility will generate a total of 1,088 jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs, would be increased by \$48,072,000 (1999 dollars) due to the presence of the Jabil Circuit, Inc. facility.

Based on figures obtained from the company, the cost disadvantage for Jabil Circuit, to establish its manufacturing facility in Auburn Hills rather than Guadalajara, Mexico ranges from approximately \$6,500,000 to \$9,900,000 annually over the term of the incentive. The cost differential is primarily attributable to wage rates in Mexico being 25% lower than Michigan and Michigan tax rates being more than 200 times those in Mexico. Michigan Economic Development Corporation staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Mexico.

The City of Auburn Hills will provide a 50 percent property tax abatement for a period of 6 years worth approximately \$1,324,040.

Without the assistance offered by the MEGA program, Jabil Circuit, Inc. would not locate in Michigan. Although the MEGA incentive eliminates only a portion of the cost differential, the company feels believes expanding the Michigan facility will position them well to obtain new contracts in the automotive industry, as well as non-automotive contracts in the Midwestern region. Michigan has a highly productive and talented workforce, which should allow a Michigan facility to be more responsive to the needs of customers. An expansion of the Mexico facility, on the other hand, would require constant attention from corporate staff without offering potential customers the talent necessary for agile manufacturing.

Staff Recommendation

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 451 net new jobs, and a business activity credit of 100 percent for a period of 20 years.

Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee. He stated the Executive Committee was recommending the Jabil Circuit, Inc. project to the full Board. Mr. Porteous indicated that the company was originally from Michigan and had moved to Florida in recent years, so, the State was pleased to get an opportunity to win this project.

Mr. Porteous expressed his disappointment that the local community was only offering a tax abatement for six years, instead of the maximum twelve years. He stressed the fact that the MEGA Board looks for the local community to step forward and do the best that it can before approaching the State for assistance.