MEMORANDUM

DATE: September 20, 2005

TO: Michigan Economic Growth Authority

FROM: Jim Donaldson, Vice President, Business Development

SUBJECT: Briefing Memo –   Systems Technology Group
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

Systems Technology Group
3155 West Big Beaver Road, Suite 220
Troy, Michigan 48084

HISTORY OF COMPANY:

Systems Technology Group, Inc. (STG) is a global provider of IT consulting and software services to the world's leading organizations. The company provides its clients with software consulting and integration services onsite, offsite and offshore. Their expertise includes Application Development, Systems Reengineering, Application Maintenance, Legacy Migration, Datawarehousing, Business Intelligence and Wireless Solutions. STG leverages a unique proprietary delivery methodology known as PRIDE. STG's PRIDE® (PRrocess for Innovation and Delivery Excellence) is a framework of methodologies and best practices. This includes processes, procedures, guidelines, best practices and templates that address various aspects of the systems development life cycle regardless of the technology platform used. The company was established in 1985 and is headquartered in Troy, Michigan, where they currently have 96 employees. The company also has offices in Chennai, India.

PROJECT DESCRIPTION:

The company has recently been presented with several multi-million dollar contracts, with existing customers, providing new software applications and is looking to expand its operations in Troy. These new contracts will require an increase in its employment, adding 356 new, high-tech, information technology jobs at an average weekly wage of $1,033.

A total capital investment of nearly $2.2 million will be required, including $460,000 to equip expanded offices and lease additional space.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 544 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs and adjusted for inflation, would be increased by $11.7 million (2005 dollars) due to the presence of this facility.

BUSINESS CASE:

Due to the high cost of doing business in Michigan, STG's CEO has considered moving the entire operation, including the new contracts and expansions, to Chennai, India. Even though the company would experience higher travel and communications costs in India, lower wages and taxes make locating in India attractive.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Troy has proposed assistance of $45,000 in leasehold improvements, to assist STG with their expansion.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 8 years and a 50 percent high-technology employment tax credit for two years for up to 356 net new employees.