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FEDERAL RESERVE BANK OF KANSAS CITY

Spring 2016

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Economic tightening in the ag industry

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Commitment to Diversity:
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GROWING UNCERTAINTY

Evaluating the slowdown in China's economy

ANNUAL REPORT ISSUE



PHOTO BY GARY BARBER

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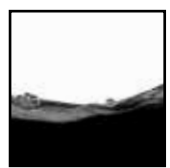
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The U.S. outlook and monetary policy

Since the end of the financial crisis, the U.S. economy has grown annually by about 2 percent and labor markets have made large strides toward healing. As a longer-term comparison, we are now in the fifth-longest expansion in recorded U.S. history. Inflation has also remained low and stable. While there are always uncertainties about how the economy will perform in the future, it's worth reflecting on the past and acknowledging the progress that has been made.

Economic growth slowed a bit toward the end of last year, though overall growth in 2015 was not too different than the past few years. Some of the softness reflected fewer exports and a modest step-down in the level of business investment in new structures and equipment. Other factors, like inventory adjustments, also lowered the growth estimate.

While a single quarter of slower growth is important to watch, I take reassurance that the economy remains on track due to strong job gains. In fact, job gains actually picked up toward the end of last year. Looking at longer trends, employment growth has been quite strong over the past few years. More jobs were added in both 2014 and 2015 than in any year since the late 1990s.

At the same time, demographic changes are affecting the labor market outlook. For example, U.S. population growth is slowing, which indicates not as many jobs need to be created as in the past to absorb new entrants into the labor force. As a result, I expect to see employment growth slow from this pace and would not interpret a modest slowdown as a sign of trouble in the economy.

Overall, I see job gains as underpinning stronger consumer demand for goods and services. Low gasoline prices and signs of faster

wage growth should also add to consumers' ability to increase spending. And although financial markets have been volatile, household wealth remains at a high level, and house prices have been rising over the past four years. Certainly, the gains in jobs, wages and wealth have not been equally shared across households during the recovery, but overall, the general health of households' financial situations is much improved since the financial crisis.

Even as households and consumers are doing better, some sectors of the economy are facing headwinds. I mentioned earlier low gasoline prices, which of course reflect low oil prices. Because the energy sector is such an important part of the Kansas City Fed's regional economy, we monitor these developments closely. We know lower oil prices benefit consumers, but also weigh on oil producers. We have certainly seen energy-intensive states affected. For example, we are seeing more people every week filing claims for unemployment insurance in Oklahoma than was the case a few years ago.

Just as developments in the energy sector bear watching, so do challenges facing the manufacturing sector. The rise in the foreign exchange value of the U.S. dollar, for example, has resulted in lower orders from abroad for many of our exporters. In addition, foreign growth in some parts of the world has been uneven and slowing, which has affected foreign demand for some U.S. goods. Despite these headwinds, the U.S. economy has proven itself



to be resilient to a wide range of shocks in recent years, including sluggish growth abroad.

Finally, inflation has remained muted as a result of lower oil prices and the strong U.S. dollar. Recent movements in each of these have been quite large by historical standards. Yet, despite these headwinds, core measures of inflation have recently risen on a year-over-year basis. And although inflation rates over the past few years have hovered below the Fed's goal of 2 percent, they have been positive and broadly consistent with price stability.

Risks to the outlook

Outlooks are subject to change, and forecasts are imperfect predictions of the future. As a result, those, like me, who rely on forecasts, must think about what could go wrong and how incoming data might affect the outlook for the economy. Gauging whether a temporary slowdown in growth, financial market volatility or foreign developments is a harbinger of weaker growth or a reflection of temporary factors can be difficult and often requires assessing broader trends and risks.

A few developments bear watching. I mentioned the energy sector. We are certainly paying attention to any spillovers that energy job losses may have on the broader economy. Elevated inventories in some sectors also pose a risk to the extent that manufacturing production slows further to better align current inventory levels with final sales and shipments of goods. Finally, global growth is commonly pointed to as a risk. While I wouldn't discount recent developments abroad, I also note that many forecasts point to a modestly stronger foreign outlook this year than in 2015. Still, some emerging markets carry substantial debt, so a crisis in one area can transmit to others. But despite these concerns, the fundamentals of the U.S. economy currently appear strong enough to sustain positive growth going forward.

The path for monetary policy

Turning to monetary policy, for seven years, the FOMC maintained near-zero interest rates and undertook a series of large-scale asset purchase programs—a policy stance responding to a historic financial and economic emergency in 2008. Accordingly, the FOMC's decision to alter that policy stance in December garnered a great deal of attention when the benchmark interest rate was increased by 25 basis points. I supported this decision, although I viewed it as a late start to what is likely to be a gradual path toward normalizing interest rates.

After such a prolonged period of low rates, the FOMC is understandably cautious. Moving rates gradually may avoid unnecessarily jolting the economy or causing excessive financial market volatility. Even looking at developments so far this year, financial markets have been quite volatile. While taking a signal from such volatility is warranted, monetary policy cannot respond to every blip in financial markets. Instead, a focus on economic fundamentals, such as labor markets and inflation, can help guard against monetary policy over- or under-reacting to swings in financial conditions. To a great extent, a bout of volatility is not all that unexpected, nor necessarily worrisome, given that the Fed's low interest rate and bond-buying policies focused on boosting asset prices as a means of stimulating the real economy. As asset prices adjust to the shift in monetary policy, it is to be expected that the pricing of risk will realign to this different rate environment.

Overall, it is important to remember that even after the first rate hike, monetary policy remains highly accommodative. Real interest rates continue to be negative and the Federal Reserve's large portfolio of Treasury and mortgage-backed securities keeps downward pressure on longer-term rates.

In communicating its intentions for

further rate increases, the Committee has noted that it expects economic conditions will warrant only gradual increases in the fed funds rate, although adjustments ultimately depend on the incoming data. My own view is that a pickup in economic growth, steady job gains and modestly higher core rates of inflation will warrant further increases.

The exact timing of each move, however, is subject to the economic environment. Because monetary policy affects the economy with lags, decisions must necessarily rely on forecasts and their associated risks—not waiting until desired objectives are realized.

If we wait for the data to provide complete confirmation before making a policy decision, we may well have waited too long. Likewise, policy may be faced with altering its trajectory if the economy's progress points to a different outlook. But in the absence of any substantial shift in the outlook, my view is that the Committee should continue the gradual adjustment of moving rates higher to keep them aligned with economic activity and inflation. These actions are often difficult, but also necessary to keep growth in line with the economy's long-run potential and to foster price stability.

Institutional challenges

As the Federal Reserve contemplates the appropriate path of normalizing its monetary policy, it naturally does so with considerable public attention. One source of this attention comes from Congress itself. Calls for legislative reforms of the Federal Reserve have persisted over the past five years, ranging from its structure and governance to its monetary policy approach and decision making. Additionally, Congress has shown its willingness to tap the Federal Reserve to fund fiscal activities ranging from new government agencies to highway construction.

I understand that Fed actions during the

crisis have raised a number of questions about the institution and its scope. When Congress established the Federal Reserve more than a century ago, it designed the institution to be apolitical but with accountability to Congress. This construct was designed to protect the stewards of the nation's money supply from the vulnerabilities associated with short-term political agendas. It includes important checks and balances that are often misunderstood, but nonetheless critical to the functioning of the institution.

During my 33 years at the Federal Reserve Bank of Kansas City, the primary focus of thousands of dedicated Federal Reserve employees has been the health of the economy, supported by an efficient and accessible banking and payments system. To the extent that there is any doubt in the minds of Congress or the public about this, it is incumbent on the Federal Reserve to work with Congress in a direct and transparent way until we satisfy any remaining questions about the execution of our mission. Such dialogue would provide the highest probability for outcomes that best serve the public interest.

In that spirit, I look forward to 2016 and the promise it holds.



**ESTHER L. GEORGE, PRESIDENT
FEDERAL RESERVE BANK OF KANSAS CITY**

The above message was adapted from a speech President George delivered Feb. 2, 2016, at the Central Exchange in Kansas City, Mo.

A photograph of Mike Waters, CEO of SOR Inc., standing in a factory. He is wearing a dark blue suit jacket over a white collared shirt. He is smiling slightly and looking towards the camera. The background shows a busy industrial environment with various machinery, pipes, and boxes. A sign in the background reads "Level Sub-Assembly & Small Product Dept 210 WC 328 & 334". In the foreground, there are several metal pipes and fittings on a metal rack. A cardboard box with the SOR logo is visible behind him.

GROWING UNCERTAINTY

MIKE WATERS, CEO OF SOR INC. IN LENEXA, KAN.

PHOTO BY GARY BARBER



Evaluating the slowdown in China's economy

China's economic slowdown has caused worldwide concern. Venezuela, which heavily exports to China, faces a recession due to China's reduction in fossil fuel exports. Oil producers such as Russia and the Organization of the Petroleum Exporting Countries also feel the sting of oil price volatilities—in part due to China's decrease in demand. Russia exports about 15 percent of its oil to China.

South American countries such as Brazil and Argentina also face financial woes as China's appetite for agricultural commodities tapers. And African and Asian countries face economic uncertainties due to China's cutback in manufacturing, which heavily relies on those continents' natural resources, such as iron ore and copper.

First-quarter turmoil in the financial markets also concerns investors. South Africa, one of China's main trading partners, recently saw its currency, the rand, plummet in value, and Chinese policymakers in late February tried to reassure trading partners that it can

manage market stability while implementing structural economic changes without devaluing the yuan.

For now, the U.S. economy remains somewhat insulated from China's slowdown because of diversification. But for how long, especially in the Tenth Federal Reserve District, which has a large presence in China's energy, agricultural and manufacturing sectors?

China's economy

Jun Nie and Nicholas Sly, senior economists at the Federal Reserve Bank of Kansas City, say China's economy is transitioning to a "new normal" that relies more heavily on domestic consumption and less on traditional channels such as exports, real estate investment and government investment. During this transition process, China has experienced a few developments that rarely happened before, such as the large capital outflows in the last couple of years.

Trade linkages are how many assess China's influence on the global economy. As China reduces imports from core industrial countries

and emerging economies, it affects countries that receive exports from China.

“In contrast, the Chinese financial sector has been historically isolated from the rest of the world due to tight capital controls, limiting the impact of Chinese capital flows on the global economy,” the economists said.

This, however, has changed in the last year as the Chinese government relaxed capital controls and eased restrictions on capital leaving the country in 2014 and 2015. In that same time span, China experienced five consecutive quarters of record-level capital outflows for the first time since 2000. The outflow is mainly in loans—China increasing loans to the rest of the world and foreign loans withdrawn from China. Direct foreign investment, however, is another source of China’s capital outflows.

Tracking the destination of the loans and direct investments is difficult due to the lack of statistical information on China’s financial account—the country’s balance of payments that covers claims on or liabilities to nonresidents in regard to financial assets.

Nie and Sly say loans leaving China

account for about 40 percent of the country’s capital outflows. They were able to gather data on direct investments by observing cross-border merger and acquisition activity. What they found is a sharp increase in U.S. inbound acquisition activity from China.

“In the last half of 2014 and first half of 2015, U.S. inbound acquisition activity from China spiked to more than three times its historical average,” the economists say. “In other words, a portion of the capital flowing out of China recently has been absorbed by real investment within U.S. industries.”

Usually, capital flowing out or leaving a particular economy often signals there is instability in that particular economy. In this instance, the capital outflows not only show China’s economic slowing, but reflects the strength of the U.S. economy to absorb the outflows.

The World Bank forecasted China’s economic growth at 7 percent in 2015, after double-digit growth for several years, and small slowdowns are expected to generate from 6 to 7 percent growth until 2017.

Jeremy Hoge works on one of the automated machines in the machine shop at SOR Inc. The company, based in Lenexa, Kan., is one of the leading manufacturers of high-quality pressure and level-measuring instruments. About 30 percent of SOR’s business is in exporting instruments to China.



Nie and Sly caution that if China's slowdown is larger than currently expected and U.S. industries and financial markets continue to absorb China's capital outflows, then "investors will need to compete more aggressively for viable domestic opportunities."

Although this could lead to more domestic projects being funded, bolstering greater U.S. investment activity, it could also lead to markets underpricing risks associated with less attractive investment opportunities.

China's affect on the Tenth District

Although the U.S. economy as a whole can absorb the shocks of China's "new normal," the economic slowdown will affect regional businesses.

Andres Kodaka, a research associate at the Kansas City Fed, said China's slowdown could have a direct impact on Tenth District states that export goods to that country.

For example, China was Nebraska's second largest export market in 2013. Nebraska exported more than \$1.9 billion in goods and services to China, including meat products, construction machinery, oilseeds and grains, according to the Nebraska Business Roundtable. Nebraska's exports to China grew by 21 percent in 2013; however, the amount of growth has tapered since then.

Also, China is Colorado, Kansas and Missouri's third largest export market, after Canada and Mexico. The states' exports included a variety of sectors, from chemicals, wood, and computer and electronic products to transportation equipment, beverages and tobacco products.

Although China's share was 7.6 percent of Missouri's total exports, well under 1 percent of the state's total GDP, China still generates more than half a billion dollars in revenue. Colorado generated \$745 million in exported goods and services to China in 2013, which was a continuation of nine years of extraordinary growth in trade with China.

Kodaka said China made up 9.9 percent of Kansas' export business. In the first half

of 2015, the state's exports to China totaled \$762.4 million, less than the \$1.2 billion and \$895.6 million exported to Canada and Mexico, respectively.

Exports to China from Missouri, however, declined 0.4 percent from the first quarter 2014 to the first quarter of 2015, while total exports for the state increased 3 percent. Colorado experienced a 7.6 percent decrease in 2014, although exports overall increased more than 3 percent. Kansas was the one state that experienced a decline in both exports to China and its total exports, 4.2 percent and 8.7 percent, respectively.

"This larger overall decline in Kansas exports is likely a symptom of the recent strengthening of the dollar since Kansas exports more commodities, which are sensitive to changes in currency exchange rates," Kodaka said.

Adapting to China's 'new' economy

In January 2014, one U.S. dollar was worth 6.5 yuan. As the dollar strengthens, the rate could increase to between 6.8 and 7.5 by mid 2016, analysts say.

"Those are dramatic changes when it involves the commercial competitiveness of our products sold into China," said Mike Waters, CEO of SOR Inc., based in Lenexa, Kan.

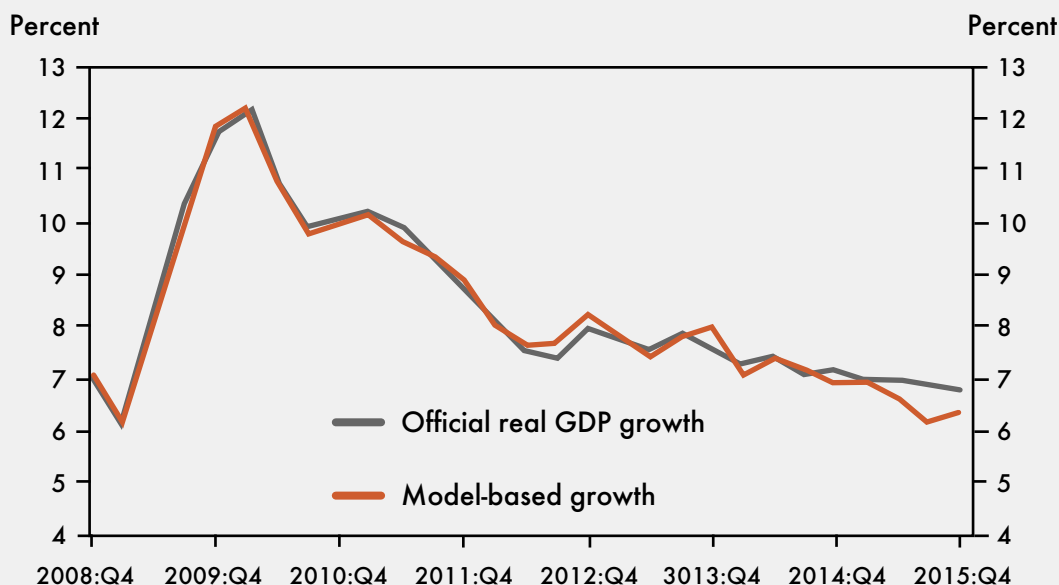
SOR manufactures devices that measure pressure, temperature, level and flow, and the company maintains offices in London, India, Dubai and China. The products SOR sells to China focus on the fossil fuel power-generating sector.

Waters says his company has seen a slowdown in some of China's traditional economic drivers after years of double-digit investment growth.

"As power building and new infrastructure has slowed in general, and as fossil power has declined as a percentage of overall generating capacity, it has had a material impact on our business in that region," Waters said.

It's a simple matter of supply and demand. Much of China's economic growth was

China's GDP growth



Sources: Caixin, China National Bureau of Statistics, Markit Economics, Haver Analytics, and author's calculations.

Kansas City Fed Senior Economist Jun Nie constructed a model to evaluate the Chinese government's estimated GDP growth. His model predicts China's growth slightly less than the official estimate.

investment growth, Waters said. The Chinese government invested in building power plants and now has excess capacity—more power than currently needed.

“We’ve taken note of some of the overt messaging from the Chinese government that they wish to diversify their economy and create a larger services sector and de-emphasize the manufacturing element,” Waters said.

This shift to a more “normalized economy” changed SOR’s commercial strategy in China.

“We now are more aware of the country of origin of our competitors on large project tenders and we are incorporating the currency exchange rate in our commercial strategy to a much greater extent than one to two years ago,” he said.

About 30 percent of SOR’s total revenue comes from Chinese exports. And like China’s GDP growth, SOR approached double-digit revenue growth in Chinese exports for several years. The next couple of years, however, the company expects the margin to flatten.

Although China’s economy will slow down—the state government projected 6.8

percent GDP growth in 2015, and projects 6.5 to 7 percent for 2016—the economy is still strong.

“It’s just not growing in the sectors that have a demand for our products,” Waters said.

China wants to move toward nuclear power generation and invest in chemical and petrochemical production.

“We’re looking for more diversification for our in-use segments, such as nuclear power investment.”

SOR also will participate more in the chemical and petrochemical markets as China decreases its use of fossil fuels.

“We still anticipate China to be our largest export market for years to come,” Waters said. “Some of our other markets may have higher growth rates than China, but would be nowhere near the volume.”

Evaluating the strength of the Chinese economy

Despite the financial turmoil and manufacturing slowdown, China’s consumers appear more optimistic about their own

economy than the rest of the world, and according to Nielsen's fourth-quarter 2015 survey, most Chinese consumers seem unaware of the economic turmoil.

Health and work-life balance seem to be on their minds more than a slowdown in manufacturing, says Louise Keely, president of the Demand Institute and the lead author of Nielsen's quarterly global survey on consumer confidence.

According to the survey, Chinese consumers trust their government to deliver on its promise of improving quality of life as it moves China to a "new normal."

Keely says the optimism may have something to do with the state's tight control of the media and keeping the economy out of the news. Or growth in the service sector is offsetting the decrease in construction and manufacturing.

Either way, consumers are still spending money. Nielsen says 86 percent of Chinese consumers surveyed report using digital payment systems for online purchases, which has boosted the state-owned monopoly China Union Pay into the world's third-largest credit card network.

Nie, however, cautions against reading too much into any one particular economic measure, such as the relatively stable consumer spending or the slowing industrial production, when gauging China's economy.

"Gauging the strength of the Chinese economy is difficult, as many market participants are skeptical about the official Chinese GDP numbers," Nie said.

Nie says, however, his recent research findings show that the official Chinese GDP numbers seem to capture the overall strength of the economy.

Nie constructed an index using a series of key sector data from China's economy, which are not directly reflected in state's official GDP statistics. The index can provide an indirect check of the country's headline GDP estimate.

In particular, the model uses economic indicators on manufacturing activity, consumer

spending, the real estate sector and the services sector. The data goes from the fourth quarter of 2008 to the fourth quarter of 2014.

The model predicts a growth rate slightly below China's official GDP estimates for 2015, but suggests that growth remained stable. The deviations from the model's GDP estimates and China's official estimate, Nie said, can be largely attributed to the Chinese stock market's rapid growth last year, partially driven by monetary easing and government support.

But given the current cooling equity market, Chinese growth may face additional downward pressure. For example, if the contribution to GDP growth from finance returns to its average level recorded from 2000 to 2015, the contribution of the finance sector to GDP growth will be 0.6 percentage points smaller in 2016 than 2015, Nie said.

"The finding highlights potential risk to the Chinese growth outlook in the near term," Nie said. "The unwinding of the unsustainably large contribution from financial services could create a significant drag on Chinese GDP growth."



KEVIN WRIGHT, EDITOR

FURTHER RESOURCES

"Gauging the Strength of Chinese GDP Growth" by Jun Nie

www.KansasCityFed.org/~media/files/publicat/research/macrobulletins/mb16nie0229.pdf

"Global Capital Flows from China" by Jun Nie and Nicholas Sly

www.KansasCityFed.org/~media/files/publicat/research/macrobulletins/mb15niesly0908.pdf

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.

Evaluating recent oil price volatility

Current supply and demand play only a partial role in recent oil price fluctuations. The root of current market conditions lies more in the shift in expectations of future demand and the stability of future supply.

Market prices

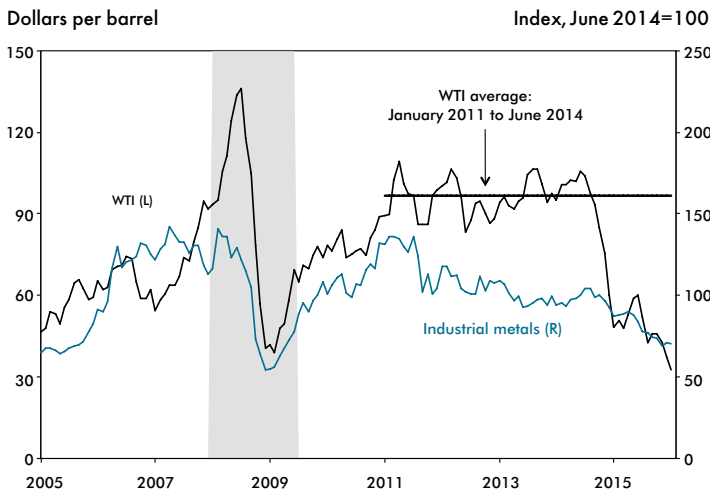
Oil prices hovered near \$100 per barrel from March 2011 to mid-2014. The prices started to drop in June 2014, then plummeted, falling more than 60 percent by mid-2015. Price volatility continued the rest of 2015, settling at \$32 per barrel in January 2016. Federal Reserve Bank of Kansas City economists Troy Davig, Nida Çakir Melek, Jun Nie, A. Lee Smith and Didem Tüzemen analyzed the extreme fluctuations of oil prices since mid-2014 and described a number of possible reasons for the volatility.



\$100+
per barrel Mid-2014



\$32
per barrel January 2016



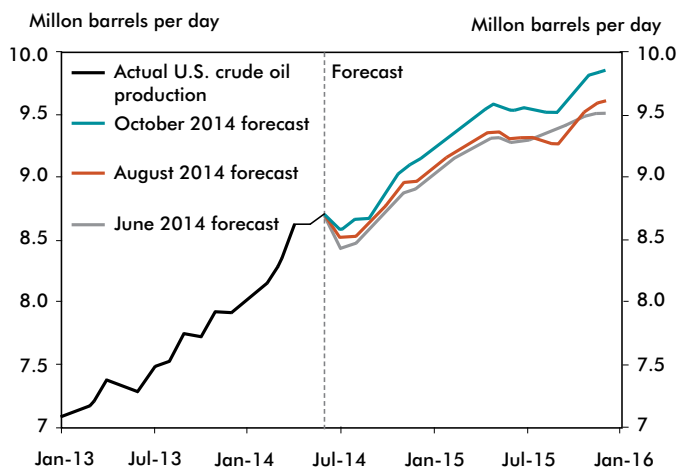
Sources: Chicago Mercantile Exchange, Energy Information Administration, National Bureau of Economic Research, Standard & Poor's and Haver Analytics.

Current demand

Demand activities are useful in describing oil price movements, but the factors driving such changes are often difficult to identify. For example, if global economic weakness was the primary factor weighing on oil prices, other commodity prices, such as industrial metal prices, should display similar patterns. Commodity prices have fallen with oil prices since mid-2014, but their decline was less dramatic.

Changing global oil supply

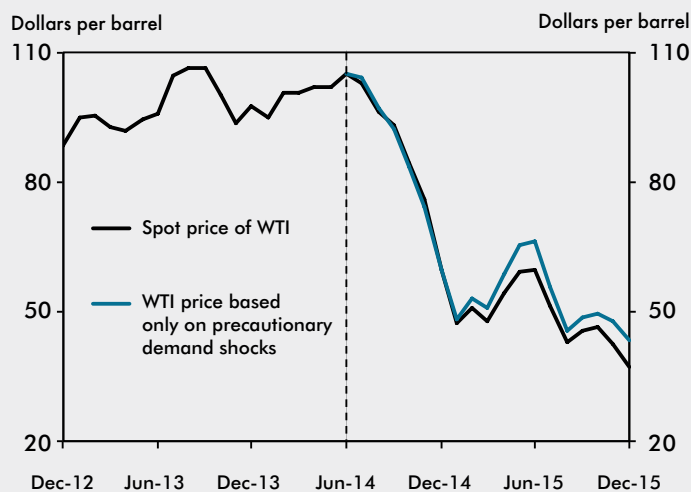
Changing global oil supply conditions are another possible reason for oil price volatility. U.S. oil production increased at a steady pace from 2011 to 2014, contributing to global production gains. The Energy Information Administration repeatedly revised its projections for U.S. production up in 2014, and oil production increased by around 70 percent in the U.S. from 2010 to 2015. The rest of the world also experienced supply-side developments, such as unplanned OPEC production outages due to unrest in the Middle East and northern Africa. But, U.S. production increases offset most of the outages, and countries like Libya and Iraq later increased their productions.



Source: Energy Information Administration.

Precautionary Demand

Changing expectations of future supply and demand conditions might affect "precautionary demand," which can play an important role in oil price movements. Precautionary demand can be driven by sectors of the energy industry such as businesses involved in refining. These sectors have to balance expectations of future oil process with the availability and cost of storage. For example, news that future production will likely continue at a high level can cause precautionary demand for crude oil to fall. One such piece of news came in November 2014 when OPEC announced that it would maintain production at current levels. Similar reductions in precautionary demand were triggered in June 2015 when international negotiators announced that a nuclear agreement had been reached with Iran, which would lift sanctions limiting Iranian oil exports.



Sources: Chicago Mercantile Exchange, Energy Information Administration, Thomson Reuters, Wall Street Journal, Haver Analytics and authors' calculations.

Key findings

Quantifying the effects of demand and supply shifts in global oil markets on prices is not always straightforward and requires a model that can properly separate key determinates of oil price movements. The team of economists evaluated key determinants of oil price movements and established that oil price fluctuations since mid-2014 have not been driven primarily by current demand or supply conditions. Instead, shifts in expectations about future demand and the stability of future supply, which are wrapped up in "precautionary demand" shocks, have played the predominant role.

FURTHER RESOURCES: Evaluating a Year of Oil Price Volatility

By Troy Davig, Nida Çakir Melek, Jun Nie, A. Lee Smith and Didem Tüzemen

www.KansasCityFed.org/~media/files/publicat/econrev/econrevarchive/2015/3q15davigetel.pdf

TIGHTENING IN THE AG BELT

The outlook for the agricultural economy becomes more pessimistic

The record revenue growth of the last few years has given way to tightening in the U.S. agricultural industry, and analysts say these conditions could last a few years.

Many reasons persist for the tightening, such as production outpacing consumption, a strong dollar's effect on exports, a decrease in commodity prices, and a drop in land values.

The fundamental reasons are as simple as supply and demand, but they could prompt further tightening this year in both the Tenth District and the United States, causing concerns among lenders, says Cortney Cowley, an economist with the Federal Reserve Bank of Kansas City, in her recent Agricultural Economic Outlook.

Production outpacing consumption

The U.S. Department of Agriculture forecasted global crop production to remain near record levels in 2015. Following the 2012 drought, production in the United States increased dramatically, and in November 2015, the USDA projected the soybean crop to be the largest in history and expected the corn harvest to be the third largest ever.

Although record setting, production in the United States has expanded faster than consumption. On average, U.S. inventories of corn, soybeans and wheat have increased more than 100 percent since 2013, while



consumption has increased just 7 percent over the same period, Cowley said.

Adding to the production predicament, world producers also have been on a record pace, with Brazil and the Black Sea region reporting near-record harvests.

Steve Wellman, who owns and operates Wellman Farms in Syracuse, Neb., views competition with South American countries such as Brazil, which was predicted to double its production capacity in 2015, as a pull on U.S. exports and a concern among domestic farmers.

“I definitely compete in a world marketplace,” he said. “Outside competition is always a concern with a strong dollar and falling prices.”

But he remains optimistic because soybean and other crop production have remained high the last couple of years.

“There is still demand both in the United States and globally,” he said. “People have to eat.”

Strong dollar hampering U.S. ag exports

Alongside the strong dollar and growing competition, relatively stagnant domestic demand and weak global growth are hampering U.S. exports of agricultural products.

“In fact, exports of food and kindred products, including processed meat products, have declined for 14 consecutive months,” Cowley said.

Exports of agricultural products, including bulk commodities, also have declined.

Overall, exports decreased about 10 percent, on average, each month in 2015 compared to 2014. As of October 2015, the value of U.S. agricultural exports declined from 2014 by more than \$6 billion. China accounted for 20 percent of the loss in export value, with other major losses stemming from Canada, Mexico, Brazil, Japan, Egypt and South Korea.

For example, China made up 9.9 percent

of Kansas’ export business in 2015, and a large percentage was in agricultural commodities. In the first half of 2015, the state’s exports to China totaled \$762.4 million.

Kansas was the one state in the Tenth District that experienced a decline in both exports to China and its total exports from the first quarter of 2014 to the first quarter of 2015, 4.2 percent and 8.7 percent, respectively. The main symptom was the strengthening of the dollar because Kansas, more than other states, exports more commodities, which are sensitive to changes in currency exchange rates.

“Anecdotally, contacts with ties to commodity markets in the Tenth District have reported that weak exports have negatively affected their businesses, and most have attributed a significant portion of such weakness to a strong dollar,” Cowley said.

“LANDOWNERS MAY BE LESS INCLINED TO SELL WHEN PRICES HAVE RECENTLY FALLEN, IN HOPES THAT PRICES MIGHT REBOUND IN THE FUTURE.”

Outlook for the ag economy

The supply-and-demand outlook continues to point to generally pessimistic prospects for the farm economy, Cowley said.

The strong dollar, booming production and weak demand have put downward pressure on U.S. crop prices, and depressed crop prices have continued to weigh on farm income in the Tenth District. Compared to the same period a year ago, farm income and capital spending declined for the 10th consecutive quarter and potentially have been exacerbated more by recent weakness in the livestock sector.

“In the third quarter of 2015, farm income showed a decline in every District state for the first time since 2011,” Cowley said.

Lower farm income also has affected spending in the farm sector. In general, farmers have adjusted capital spending in line with declines in farm income. Household spending, however, has been slower to adjust.

As a result, Cowley said several survey respondents in the banking sector have indicated customers should reduce household spending to avoid further deterioration in credit conditions and that their securities and loans watch and classified lists could expand slightly over the next three months.

Farmland values and cash rents

These fundamental changes in the agricultural economy are having an affect on farmland values and cash rents.

According to respondents of the Tenth

District Survey of Agricultural Credit Conditions, farmland values in the Tenth District dipped again in the fourth quarter of 2015.

Values of nonirrigated and irrigated cropland decreased 4 percent and 2 percent, respectively, from a year ago. With the fourth quarter declines, irrigated cropland values have fallen modestly in four consecutive quarters, and the value of nonirrigated cropland generally followed the same trend through 2015.

Ranchland values stalled in the fourth quarter as cattle prices dropped at the end of the year. Feeder cattle prices plunged more than 25 percent, causing profit margins in the cattle sector to deteriorate.

The Tenth Federal Reserve District encompasses Colorado, Kansas, western Missouri, northern New Mexico, Nebraska, Oklahoma and Wyoming. Every state in the Tenth District, except Oklahoma, experienced

Cortney Cowley, an economist with the Federal Reserve Bank of Kansas City, gave a presentation on the economic outlook for agriculture in the Tenth District during the Interregional Director Exchange in March at the Kansas City Fed’s head office.



a decrease in farmland values, and Oklahoma, Colorado and Wyoming were the only states to experience an increase in ranchland values. Overall, the forecast for land values in the District is drab. Bankers expect all land types to decline again in the first quarter of 2016, according to the survey.

Farm income remains the primary driver for declines in both farmland values and cash rents. In the fourth quarter, 87 percent of survey respondents reported farm income was lower than a year ago. One of the primary reasons for diminished income is declining commodity prices.

Both livestock and crops have seen significant market price reductions. For example, the national average for soybean and wheat dropped 14 percent and 19 percent, respectively, while corn prices also declined.

The volume of farmland sales also dropped in 2015. Historically, changes in the volume of farmland sold and farmland values have moved together.

“Landowners may be less inclined to sell when prices have recently fallen, in hopes that prices might rebound in the future,” said Nathan Kauffman, an economist and branch executive at the Kansas City Fed’s Omaha office. “A more limited supply of farmland available for purchase, then, may partly explain why farmland values have retracted only modestly, as demand has remained relatively strong in the meantime.”

Cash rents on professionally managed farmland likely will decrease in 2016, says Gary Schnitkey with the Department of Agricultural and Consumer Economics at the University of Illinois. He also says rents on nonprofessionally managed farmland likely will decrease as well.

“However, projected rent decreases are not large enough to cause farmers to have positive returns in 2016 given current projections of commodity prices and costs,” he said. “The lagged relationship between returns and cash rents still exists.”

Wellman said cash rents could have a big impact on land-lease farmers. Landowners have been reaping good profits in the past few years, and they’ll want to keep making that same revenue despite decreasing demand and decreasing crop prices. That will make it difficult for farmers who do high volumes of land-lease farming.

“It will be a balancing act,” Wellman said. “How do you cut back on your expenses without cutting back on production?”

One area where farmers are cutting back, Wellman said, is investing in new machinery.

Michael Boehlje, a distinguished professor at Purdue University, expects machinery to take a significant hit in the next five years.

“We lost 25 percent of the machinery industry in the 1980s,” he said. “We plan to see more companies exiting from the industry.”

He says U.S. aggregate net farming income is expected to decrease 30 to 40 percent in the next couple of years.

“The wealth increases of the last five years are coming to an end,” he said. “We won’t have a bust, but a soft landing.”



KEVIN WRIGHT, EDITOR

FURTHER RESOURCES

To read Cortney Cowley’s agricultural outlook, view the Ag Credit Survey and other agriculture economic research, visit www.KansasCityFed.org/research/agriculture.

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.

RESERVE BANK CHECKS AND BALANCES

Under the Federal Reserve Act, each of the 12 Federal Reserve Bank presidents serve a five-year term that expires at the end of February in years ending with a 1 or 6. Although the presidents are subject to a formal term, their performance is assessed on an ongoing basis by both the Reserve Bank's local Board of Directors and the Federal Reserve's Board of Governors in Washington, D.C.

On Feb. 19, the Board of Governors approved the appointment of presidents and vice presidents at 10 Reserve Banks to another five-year term, including Kansas City Fed President Esther George and First Vice President Kelly Dubbert. The recently named presidents of the Dallas and Minneapolis Feds were already approved for terms to end in 2021.

With its vote, the Board of Governors approved the decisions of Reserve Bank directors, who, by law share oversight of their local Reserve Bank. Each Reserve Bank has a nine-member Board of Directors: three directors are bankers (Class A) and six are known as Class B and Class C directors. These six represent a wide range of interests, such as labor, agriculture, businesses and community groups, and they are responsible for appointing a president and first vice president.

In considering whether to reappoint a president, the eligible Reserve Bank directors assess their president's performance, including consideration of the president's ability to effectively lead the Reserve Bank, the president's performance in achieving the Reserve Bank's and Federal Reserve System's strategic objectives, and the president's ability to effectively represent the Federal Reserve to the public, among other factors. The Reserve Bank directors' assessment is also informed by annual discussions between the chair and deputy chair of each Reserve Bank board and the Board of Governors' Committee on Federal Reserve Bank Affairs.

Reappointments of the Reserve Bank president (CEO) and first vice president (COO) are subject to approval by the Board of Governors, which reviews the Reserve Bank directors' assessment of their president's performance and any additional perspectives from members of the Board of Governors. The process is an example of the checks and balances that are an important part of the central bank's structure.

1



2015 Kansas City Fed Board of Directors (For more information about the Bank's Board of Directors, go to pages 46-51 of this issue).

When a Reserve Bank presidency is open, the Bank's Class B and Class C directors select a new president, as called for by the Federal Reserve Act. These six directors represent a wide range of interests, such as labor, agriculture, businesses and community groups in a Reserve Bank's District. The three Reserve Bank directors who are bankers are not permitted to be involved in the process. The six directors who form the selection committee follow a detailed and thorough process that involves a national search firm. For a list of current Kansas City Fed board members, visit www.KansasCityFed.org/aboutus/leadership.



2

The Reserve Bank directors' selection of a president is sent to the Board of Governors in Washington, D.C. The governors—who are nominated by the U.S. president and confirmed by the Senate—are accountable for approving the Reserve Bank directors' selection, according to the Federal Reserve Act. For example, in 2011, Esther George was appointed president of the Kansas City Fed after a search process led by director Terry Moore, president of the Omaha Federation of Labor, AFL-CIO. For more details, see www.KansasCityFed.org/~media/files/publicat/newsroom/2011pdf/pressrelease091511.pdf.

3

Under the Federal Reserve Act, oversight of the performance of a Reserve Bank and its president are the shared responsibility of local boards of directors and the Washington-based Board of Governors. The Kansas City Fed's board of directors meets 11 times a year and is responsible for reviewing organizational performance reports, metrics, internal and external audit assessments and budget performance. The Reserve Banks' budgets are set by the Board of Governors. Directors also engage in an annual strategic planning meeting with the Bank president and her senior leadership team. This level of review and engagement provides directors insight into Bank operations and the performance of key leadership.



4



In addition to ensuring the Bank's operations are well run, Kansas City Fed Chair Steve Maestas (left) and Deputy Chair Rose Washington (right) meet annually with the Board of Governors' Committee on Federal Reserve Bank Affairs to seek its input and perspective into the Bank's performance and the performance of its president. In addition, the chair and deputy chair of each Reserve Bank attend two Conference of Chairs meetings with the Board of Governors in Washington.

5

Before the expiration of a Reserve Bank president's term in years ending in 1 or 6 (such as 2011 and 2016), the directors, who represent the public, vote on whether to reappoint the president for another five-year term. Their decision is then forwarded to the Board of Governors in Washington, which then votes on the reappointment. For more information about the reappointment process for Reserve Bank presidents, visit www.federalreserve.gov/faqs/what-is-the-process-for-reappointing-reserve-bank-presidents.htm.



BROAD REPRESENTATION, REGIONAL ROOTS

KANSAS CITY FED RELIES ON DIRECTORS FOR INSIGHT

As designed by Congress in 1913, the Federal Reserve System is a representation of public and private institutions. While the Board of Governors in Washington, D.C., is a government agency with broad oversight responsibilities, there are 12 regional Federal Reserve Banks located throughout the United States that are under the direction of local Boards of Directors. In addition to oversight responsibilities for their respective Reserve Banks, the regional Fed directors serve as a critical conduit between their local communities and the nation's central bank, offering insight and counsel on the economy drawn from their own expertise and contacts.

This system of the independent regional Reserve Banks, which also have affiliated Branch offices, are in direct recognition of the value Americans place on limiting influence and ensuring broad representation. Prior to the Federal Reserve, the United States had made two attempts at a central bank, but large areas of the country, especially along the frontier and in the South, felt the institutions were too closely aligned with the power centers of the Northeast, and the institutions were abandoned.

The Tenth Federal Reserve District includes Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming. The Kansas City Fed has three Branch offices, Denver, Oklahoma City and Omaha, in addition to its headquarters.

Here's a closer look at Tenth District directors who joined their boards in 2016.



BRENT A. STEWART
KANSAS CITY DIRECTOR



BRENT A. STEWART

For Brent Stewart, being president and CEO of the United Way of Greater Kansas City is not a job but a privilege.

“Each day ends with a sense of accomplishing something that will ultimately lead to a positive impact for those in need in our community,” he said.

His primary role is to work with a team of volunteers, leaders and staff to develop a vision, set of strategies and goals aimed at alleviating conditions that keep individuals from achieving their full potential.

He also works to leverage the power of relationships and networks with private, public and corporate sectors to generate the financial resources needed to achieve the organization’s vision.

“In 2015, based on the support of a very generous community, we were able to raise more than \$35 million to be strategically invested back into the community.”

This doesn’t mean his day is ever typical.

Stewart says he can start his morning meeting with community leaders about improving the community, move on to a lunch meeting about the internal steps needed to reduce administrative costs and end his day at a United Way event that includes him taking the stage to thank donors and

the community for their generosity in giving and community spirit.

The goal, however, is always to improve the lives of others.

“We believe that everyone deserves opportunities to have a good life: a quality education that leads to a stable job, enough income to support a family through retirement, and good health.”

The United Way can only accomplish this through the generosity of the community, Stewart said.

It’s the community voice and perspective that Stewart hopes to provide as a director of the Federal Reserve Bank of Kansas City.

“I have always been intrigued and curious about how monetary policy gets created and how those policies affect all levels in the community, especially those struggling financially on a daily basis,” he said.

He also hopes to share research from his organization that will help the board as they make important decisions.

“I’m joining the board as a servant leader with an eagerness to share all that I know about life for those in the community that rely on United Way services and programs.”



JEFF WALLACE
DENVER DIRECTOR

PHOTO BY DAVID TEJADA

JEFF WALLACE

Jeff Wallace received some advice from his father when he became CEO at Wyoming Bank & Trust, in Cheyenne, Wyo.

“My job as CEO was to come to work every day and have to find something to do,” he said. “If I’m doing my job correctly, the people we have in place should be taking care of our day-to-day functions.”

Wallace’s father, Dennis, who is semi-retired, is still chairman of the bank; however, Wallace learned that running a community bank provides him plenty of opportunities for involvement.

“I am still very involved in the lending function and still maintain my own portfolio,” he said.

He also manages the bank’s investment portfolio, remains active in what he describes as the bank’s “analytical” processes, such as allowance for loan and lease losses and interest rate risk modeling, and coordinating Trust Department operations.

Wallace describes his management style as informal and “open door.”

“As a small banker, we have a very flat organizational chart, which means that some days are spent almost entirely working with

employees from all areas of the bank on questions or issues that arise.”

And the bank’s strength lies in the principle that “Whatever is best for our customers is ultimately best for the bank.”

As a director, Wallace wants to make sure this small-town bank voice is represented on the Federal Reserve Bank of Kansas City’s Denver Branch Board.

“I want to keep the traditional bank perspective in front of the board,” he said. “I think the Kansas City Fed, by its very nature, is in touch with this perspective, and I hope to be able to emphasize this and keep Wyoming’s perspective current.”

Wallace hopes his contributions to the Board will help Fed leadership understand those perspectives and that they will be able to use this information in formulating policies.

“I feel that I have an obligation to my industry and region to make sure that I am representing them.”

But he also knows his time on the Board will be a learning experience.

“I understand that one of the greatest benefits is getting to know the staff and other board members and develop those relationships and understand new perspectives.”

KATHARINE W. WINOGRAD

As president of Central New Mexico Community College in Albuquerque, N.M., Katharine Winograd must ensure the college is offering the kind of programs that prepare students for the current and future workforce.

She accomplishes this large task by working with various partners and economic leaders in the community.

“On a daily basis, I’m working to develop new ways that our community college can positively impact economic development in New Mexico,” she said.

Central New Mexico has the largest undergraduate student body in New Mexico, with 25,000 credited students, about 4,000 noncredited students and a College and Career High School.

In 2014, the U.S. Department of Education ranked Central New Mexico No. 2 among 1,100 U.S. community colleges for the number of associate degrees earned by Hispanics and Native Americans in the 2012-13 academic year.

Winograd says being a leader in education and job training will remain Central New Mexico’s top priority. But just as important is the college’s focus to support students and help more of them graduate, which leads to a better future for the students and their families.

“In the bigger picture, we are trying to produce higher numbers of graduates in order to bolster the quality of our state’s workforce,” Winograd said.

This is important because New Mexico’s economy is still struggling after the Great Recession, she says.

As a director on the Federal Reserve Bank of Kansas City’s Denver Branch Board, Winograd wants to emphasize the importance of considering education issues when planning major economic and policy decisions.

“To improve our economy, we also have to improve our public education system,” she said.

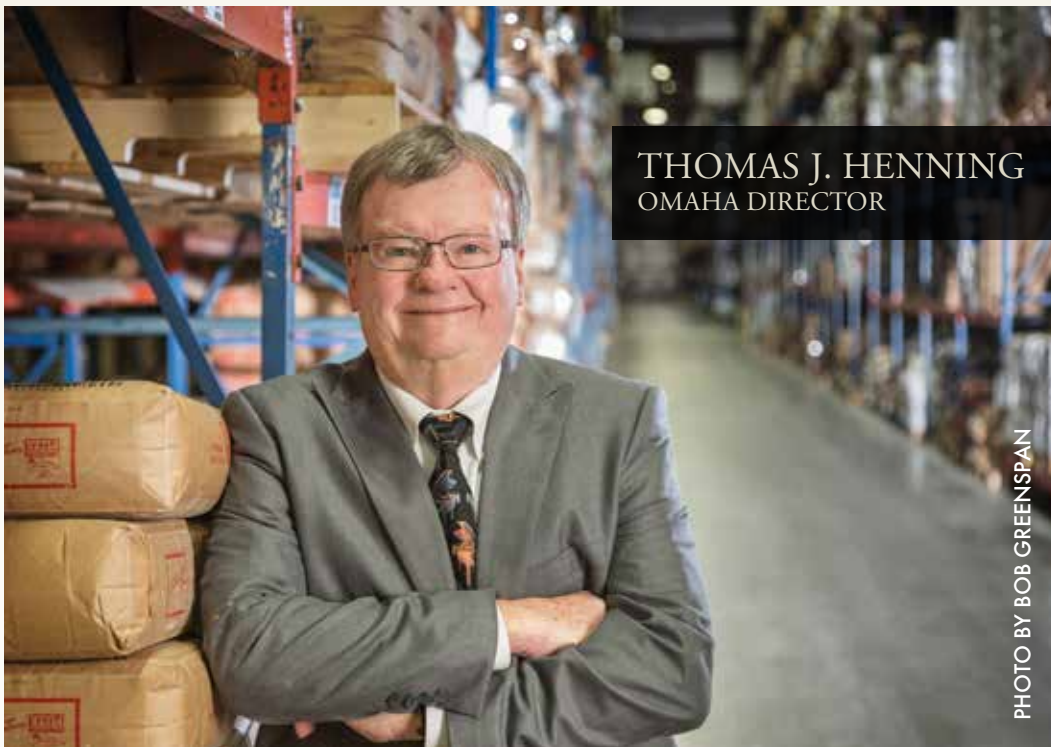
Because the college’s role is to develop an effective and efficient workforce for New Mexico, Winograd has the opportunity to be involved in many conversations and strategic efforts related to economic issues in the state. The conversations about economic development in New Mexico and throughout the country continue to focus on workforce needs.

“I am excited about the opportunity to have deeper discussions with my colleagues in New Mexico about our economic outlook,” she said. “I look forward to sharing those perspectives with the Denver Board, as well as learning more about how these perspectives influence the formulation of comprehensive monetary policies.”



KATHARINE W. WINOGRAD
DENVER DIRECTOR

PHOTO BY RICK SCIBELLI



THOMAS J. HENNING

Tom Henning sometimes reflects upon the history of his family-owned company with amazement.

“My grandfather started this business during the Great Depression in the 1930s. Now it’s in its third generation,” he said. “Here in little Kearney, Neb.”

Henning’s two brothers, a son, a daughter, and three nieces and nephews all work for Cash-Wa Distributing Co.

Henning, who is president and CEO, spends part of his day working closely with the senior management team on strategic initiatives. But an important part of his job is mentoring staff and building and maintaining relationships with vendors, customers and industry partners.

“That is the key to success in any organization,” he said.

The most enjoyable part of his job is working with the Business Development team.

“Our mission and focus is to do the things necessary to make our customers successful.”

Henning is always looking to the future, even when he’s dabbling in his livestock “hobby” or keeping an eye on the commodities market. Service, however, is a key part of his life.

“I have served on a number of boards and in leadership positions that were civic, charitable and industry related.”

He gives of his time for many reasons, but each instance is an educational experience for him.

“It’s also gratifying to think that through this type of service, there is a possibility that one can make even a small difference at some point in time.”

That’s why he’s looking forward to his role as a director of the Federal Reserve Bank of Kansas City’s Omaha Branch Board. He hopes his years of business knowledge in the Tenth District can help the Kansas City Fed acquire a real-time perspective of local and regional economies.

“I think I will bring a broad perspective of the economy because of the nature of the business we’re in,” he said.

Cash-Wa serves more than 8,000 foodservice customers that include restaurants, schools, recreational amenities, healthcare organizations, government entities and 1,000 convenient stores in an 11-state region.

“I also look forward to the learning experience and the knowledge that will be acquired, not only from the Fed System, but the extremely bright individuals who are on the staff and those who serve on the Board.”

KIMBERLY A. RUSSEL

Kim Russel thinks any discussion about the economy is incomplete without considering the healthcare sector.

“Healthcare is a major component of today’s economy,” she said. “Healthcare services are both an economic driver from the perspective of jobs and day-to-day commerce, and a major operating expense for employers.”

Russel, president and chief executive officer of Bryan Health, says healthcare is both an enormously challenging and intellectually stimulating field, which is why she “loves it.”

She spends much of her time meeting with physicians to plan new technologies and services, visiting hospitalized patients to assure that services are meeting their needs, working with the leadership team to continuously improve the quality of care and services, and communicating with Bryan Health’s board members.

As a director, Russel looks forward to bringing the voice of healthcare to the Federal Reserve Bank of Kansas City’s Omaha Branch Board.

Bryan Health is a nonprofit healthcare system headquartered in Lincoln, Neb. With more than 4,000 employees, it’s the largest private sector employer in Lincoln, and provides a full range of healthcare from very

basic services to highly complex services such as heart surgery, neurosurgery and cancer treatment.

Bryan Health also sponsors a network of more than 40 rural hospitals and has business and service relationships throughout Nebraska, Kansas and Missouri.

“In addition to my work as a healthcare executive, I am also active in local and state business and economic development issues,” Russel said, which makes her familiar with both rural and urban economic issues that face the region.

Her external involvement is important to her because the boards she either leads or serves on all work to better the community or the state.

“I look forward to contributing my knowledge, experience and viewpoint to the Federal Reserve in any way that is beneficial,” she said. “I also love to learn new things, and so I’m very appreciative of the opportunity to learn more about the important role of the Federal Reserve.”

For more information on the Federal Reserve Bank of Kansas City’s directors, visit [KansasCityFed.org/aboutus/leadership](https://www.kansascityfed.org/aboutus/leadership).



KIMBERLY A. RUSSEL
OMAHA DIRECTOR

PHOTO BY BOB GREENSPAN



A Financial Picture is Worth a Thousand Words

Can you picture your financial goals for the next year clearly in your mind? How about five or 10 years down the road? Do the images of what you want to accomplish financially begin to blur as you project into the future? If it's difficult for adults to visualize and focus on their long-term financial goals, can you imagine how hard it is for kids?

When I taught elementary students, I discussed the importance of setting and working toward savings goals. My class generally responded by choosing a few things they would like to work toward in the future. Most students had “tunnel vision,” deciding to focus on and save for one item at a time. Very few had the big picture approach to goal setting. And if a big picture overview of your financial future does not exist, kids (as well as adults) tend to lose focus on the process of attaining their goals.

A creative solution to this problem is to develop a “financial vision board.” This vision board is a tool used to help identify and maintain focus on financial goals. These boards can be tangible reminders that reinforce your future goal intentions and help you to develop a positive attitude toward finances. A well-constructed board can give you visual joy and hope for your financial future.

Wondering how to go about creating a vision board with your child? Use page 26 to guide you through the process. Begin with brainstorming short-term goals—those items that can be saved for in less than a year. List ideas and narrow them down to two or three that your child is the most motivated to accomplish. Ideas can include clothes, shoes, electronics or vacation money. Next, tackle long-term goals. Ask your children what they

dream of spending their money on in five, 10 and even 20 years. Use specific ages to help them focus, by saying, “What savings goals can you picture having at age 15? Age 25? Remind them to consider that they may be continuing their education or even married with kids in the future. Long-term ideas might include paying for college, a car, or a home. Again, list their ideas and narrow down to the most appropriate goals.

Now let the creativity begin. Purchase a poster board and gather markers or crayons, scissors, glue and magazines or catalogs. Challenge your children to find and cut out pictures or photos that represent both their short and long-term goals. If they are unable to find an appropriate image, they can always draw their interpretation on the poster board. Once they find visuals for all their goals, they should arrange and glue them on the poster board, putting those that are “high priority” in the most prominent positions. It is important to include their own photo on the board, so that they can personalize their goals. Children can write descriptive words underneath each visual, such as “my No. 1 goal for age 15.” Older kids can develop a more detailed timeline, listing future years and gluing their goals along the way. This method will give them a financial path to follow to achieve their goals.

Once your children's financial work of art is completed, help them find a place to display their masterpiece, preferably a place where they will see it every day. As they view their board regularly, they will reinforce their goals in their subconscious mind, which has been found to react to color and pictures better than written words. It is important that your children try to visualize the process of achieving each goal, not just the final goal itself. To solidify their ideas,

they can think of “financial affirmations,” or positive sayings that they can repeat to themselves like mantras. You may hear your child saying, “I will be successful in saving for my tablet” multiple times a day.

For those savers who would rather use technology to create and display their financial goals, there are free vision board apps to download at www.makeavisionboard.com/vision-board-apps. Using Google images and Pinterest to create a vision board is also an option. Be sure they include a “selfie” or self-photo to personalize their digital board.

Designing a financial vision board should give kids a tangible focus and help incentivize them to follow through in order to attain their financial goals. Once they have accomplished

their short-term goals successfully, they will have the impetus to dive into their long-term goals. Using this technique to envision their financial aspirations should pave the way for goal achievement throughout their lives.

Michele Wulff is a former public school educator of 30 years and a recipient of the national peer award “Excellence in Teaching Economics.” As an economic education coordinator with the Kansas City Fed, she offers practical advice on how to educate young people on personal financial matters.



Financial Education Resources

The Kansas City Fed is committed to promoting economic and financial literacy and greater knowledge of the Fed’s role by providing resources for teachers, students and the public. Visit our website at KansasCityFed.org for more information. The resources below are a few of many available on this subject.

FEDERAL RESERVE RESOURCES

Common Cents: Financial Responsibility Begins in Childhood

This article suggests a step-by-step approach to teaching kids about short and long-term savings goals. For all ages.

www.KansasCityFed.org/~media/files/publicat/ten/pdf/spring2009/commoncents.pdf

Common Cents: Investments:

The Gifts that Keep on Giving

This article shares ways to successfully save and help your money grow through savings accounts, certificates of deposit, savings bonds and stock investments. For all ages.

www.KansasCityFed.org/~media/files/publicat/ten/pdf/fall2011/commoncents.pdf

FICTION BOOKS

Beatrice’s Goat by Page McBrier

A true story of young girl from Uganda who receives a goat that helps her family reach their savings goals. From Heifer Project International. For ages 6-10.

NONFICTION BOOKS

Smart Goals: Goal setting for Kids and Teens by Arnie Lightning

This book focuses on setting goals you are capable of achieving, and how to overcome roadblocks along the way. For ages 8-18.

Vision Board: How to Create a Powerful Vision

by Charles Jensen

This book discusses the power of visualization to attain your goals and how to develop an action plan. Includes examples of completed vision boards. For all ages.

Creating a Vision of Your Financial Future

Are you ready to set your financial goals for the future?

Follow these steps to design a vision board to help you accomplish your short- and long-term goals along the way.

Step 1:

Brainstorm and list some short-term financial goals. (Short-term goals can be attained in less than a year.) Ideas could be clothes, toys, electronics or saving for holiday and birthday presents. Narrow down your list to the two or three that you REALLY want to achieve and circle them.

Step 2:

Brainstorm and list some long-term goals. (Long-term goals usually take a year or more to attain.) Think about how old you will be in five, 10 or more years and what you might need at those ages. Ideas could be a computer, car, college tuition or a home. Narrow down your list to the two or three that you WANT to achieve and circle them.

Step 3:

Gather your art supplies, magazines, catalogs and a large poster board. Cut out pictures that represent your chosen goals. (You can also look on Google images to find goal pictures.)

Step 4:

Arrange your pictures on the poster board, putting those that are most important to you at the top or center. Find a photo of YOU to display to show it's YOUR vision.

Step 5:

Glue all pictures and write descriptive captions underneath. (You can label them short or long term, or write when you'd like to achieve each goal.)

Step 6:

Display your vision board in your room or a place where you'll see it every day. Look at it often to make your goals a reality!



What can the HMDA data tell us about mortgage lending among the LMI population?

Kelly Edmiston, a senior economist at the Federal Reserve Bank of Kansas City, says data generated from the Home Mortgage Disclosure Act (HMDA) show mortgage lending in 2014 declined almost 30 percent from 2013.

The reports, released in September 2015, show mortgage lenders originated \$1.242 trillion in loans for the purchase of single-family homes and to refinance existing loans, down 29.5 percent from \$1.762 trillion in 2013. The sharp drop resulted from a 53-percent decline in refinancing.

What caused the decline in refinancing?

Volatility in refinancing mostly arose from the sensitivity to mortgage rates. When mortgage rates decline, especially if the decline is sharp, refinance originations typically surge. In the fourth quarter of 2012, when the national average contract mortgage rate was at a low of 3.5 percent, refinance originations totaled \$453 billion. By the fourth quarter of 2013, the average contract mortgage rate had increased to 4.5 percent, and refinance originations declined more than 66 percent to \$153 billion.

Did mortgage rates affect conventional home purchases?

Mortgages originated for purchase are much less volatile than refinances. Survey research suggests borrowers are more sensitive to down payment requirements and recent changes in household wealth than they are to mortgage interest rates. Housing market conditions also drive the origination of purchase mortgages. Conventional home-purchase originations increased 8.2 percent in 2014, from \$511 billion to \$554 billion.

What were the results among different households, especially LMI?

Mortgage originations to low- and moderate-income (LMI) borrowers (those with less than 80 percent of area median income) were \$149 billion in 2014, compared to \$215 billion in 2013, declining at about the same rate as total mortgage originations. As with total mortgages, the decline in LMI originations was entirely due to a sharp decline in refinancing, from \$117 billion to \$53 billion. LMI home-purchase originations increased 3.5 percent.

Did the composition of mortgage originations change?

The composition of originations also varied significantly by income. Although the refinance share by income was roughly the same in 2014, 32 percent of mortgage originations for LMI borrowers were backed by the government (such as FHA or VA), compared to about 16 percent for all borrowers. The government-backed share of total originations increased from 11 percent in 2013, with the share of LMI borrowers securing government-backed loans increasing from 23 percent.

What were the application and denial rates?

Mortgage loan applications in 2014 declined sharply from 2013, consistent with originations, and in particular, for refinancing. The application denial rate changed little. Loan denials are much more common for LMI borrowers. In 2014, about 25 percent of mortgage loan applications from LMI borrowers were denied (23.4 percent in 2013), compared to about 19 percent for all applications (14.5 percent in 2013).

FURTHER RESOURCES

To view other research by Kelly Edmiston, visit KansasCityFed.org/people/kellyedmiston.

MAKING A CONNECTION

IN FOUNDING THE FEDERAL RESERVE MORE THAN A CENTURY AGO, Congress recognized the importance of connecting the nation's central bank to the Main Streets of America. The Federal Reserve Bank of Kansas City carries out this role through its president and its programs and activities throughout the Tenth District, nation and welcoming countries. Here is a glimpse at the recent activities of President Esther L. George and the staff of the Kansas City Fed.



President Esther George with Debby Ballard, left, chair of the Central Exchange of Kansas City, and CiCi Rojas, right, CEO and president of the Central Exchange, following George's speech on the state of the economy Feb. 2 at the Central Exchange. The Central Exchange is one of Kansas City's largest women's network dedicated to the professional development of leaders.

George was a guest lecturer at the London Business School, London, England, on Nov. 11, 2015. From left to right, Professor Richard Portes, president of the Centre for Economic Policy Research at London Business School, Esther George, Sir Charles Bean, economist and former deputy governor for Monetary Policy at the Bank of England, and H el ene Rey, a French economist who serves as Professor at London Business School.



Esther George with Henry Bloch, co-founder of H&R Block, and his daughter, Liz Uhlmann, during a reception in December 2015 at the Kansas City Fed's main office.



More than
11,500 people
attended speeches
by Esther George in 2015.

On Feb. 23, Esther George discussed the Federal Open Market Committee and monetary policy with hosts Kathleen Hays and Pimm Fox on the Bloomberg Radio show "Taking Stock."

Building relationships ...



President Esther George, right, Bill Mitchell, president and CEO of Bankers' Bank of the West, center, and Kevin Moore, senior vice president of the Kansas City Fed's Supervision and Risk Management Division, take time for a photo at the Denver office's holiday reception.

Partnership helps students become marketable adults

Through a partnership with Goodwill Industries of Denver, Public Affairs staff in the Kansas City Fed's Denver office regularly participates in mock interview sessions for students at West Career Academy, most recently on January 8. West Career Academy provides an educational pathway for students who have aged out of traditional programs, but lack the credits required to graduate or who are at risk of dropping out prior to graduation. Having the opportunity to practice their interview skills and receive constructive feedback provides students with the necessary skills to become marketable adults in the workforce.



Student boards participate in leadership challenge

In early February, members of the 2015-16 Denver Branch Student Board of Directors in Denver and Albuquerque (pictured above) did a Student Leadership Challenge training designed for young adults. Lead by Duane Buchanan, a Kansas City Fed human resources specialist, the two boards met via video conference to discuss the skills and practices that actual leaders employ. The students had an opportunity to measure their current leadership strengths and weaknesses, to make a plan for improvement, and to commit to growing as a leader.

New exhibits on display in Oklahoma

The Oklahoma City Branch recently installed interactive exhibits to educate visitors about the economy, historical currency and Federal Reserve history. Guided tours and programs are available for sixth-grade-level groups and above, including students, educators, bankers and community organizations by appointment.



Session focuses on affordable housing

The Kansas City Fed's Community Affairs Department partnered with the Oklahoma Coalition for Affordable Housing to present a session on affordable housing options in Oklahoma. Attendees learned about the Community Reinvestment Act and how to leverage it with banks in the community to support affordable housing options. Ariel Cisneros, a senior community affairs advisor, led the session with an overview of the Community Reinvestment Act and facilitated a panel discussion with Oklahoma bankers.



Wilkerson speaks at Chickasha forum

Chad Wilkerson, economist, branch executive and vice president at the Federal Reserve Bank of Kansas City Oklahoma City office, spoke Feb. 11 at an economic forum in Chickasha, Okla., where he discussed the national monetary policy outlook, the state of Oklahoma's oil and gas industry and local economic information about Grady County. After the forum, the Oklahoma City Branch hosted a business roundtable with business and community leaders from the area to gain a deeper understanding of Chickasha's economy.

Students learn the art of business

Members of the 2015-2016 Omaha office Student Board of Directors toured Film Streams, a nonprofit theater in north downtown Omaha, to learn about nonprofit entrepreneurship. Brooke Masek, program and outreach coordinator at Film Streams, talked about the process of becoming a nonprofit, its goals and how it serves the community. The students also learned about operating a nonprofit theater, with principal programs in Art in Education and Community Development. The visit concluded with the students exploring different entrepreneurial paths. The 2015-2016 Omaha Branch Student Board includes 14 members from Omaha Central, Omaha Bryan and Omaha South high schools.



Financial education the focus of interactive simulation

Nearly 80 sophomores from Omaha high schools participated in an interactive budgeting simulation on Feb. 19 at the Kansas City Fed's Omaha office. The students were part of the Academy of Finance programs at Omaha North and South high schools, as well as the Academy of Business and Entrepreneurship at Omaha Benson High School. Pictured above are Nicole Connelly, left, and Michele Wulff, far right, with the Omaha office.



President George speaks to Student Board

President Esther George spoke in March to members of the Student Board of Directors in Omaha about the Bank, leadership and achieving one's goals. Student Board of Directors hear from a variety of speakers throughout the year that focus on professional development.

Conference focuses on sustainability within Reserve Banks

More than 60 senior leaders and staff members from throughout the Federal Reserve System gathered at the Federal Reserve Bank of Richmond's Baltimore Branch last fall to discuss how Reserve Banks can incorporate sustainability into more of their operations and initiatives.

"Sustainability" is defined as conserving resources to meet the needs of present and future generations. The conference, Sustainability Matters: Lowering Costs, Reducing Impact and Enhancing Engagement for the Federal Reserve System, focused on the business value of sustainability. Joined by participants from every Federal Reserve District, conference attendees heard from two nationally recognized keynote speakers and 20 internal and external speakers who discussed topics such as building operations, energy and water conservation, procurement, employee engagement, renewable energy, workplace design and e-waste.

Several members of the Kansas City Fed's Facilities Management Department and Green Team, a group tasked with evaluating and promoting the Bank's sustainability approach, attended the event.

"This was a great forum for different Districts to share best practices Systemwide, from how to educate employees about sustainability to recycling responsibly and cost/energy savings opportunities," said Michelle Stellini, a manager in Facilities Management.

Stellini gave a presentation at the conference on workplace design and how to design for the needs of multiple generations, particularly millennials, who are increasingly focused on sustainability and community connection.



SUSTAINABILITY MATTERS

"There is a great deal of excitement around the Green Conference and we're hopeful this can become a regular event," she said. "This forum offers a platform for leveraging best practices throughout the Federal Reserve System."

The Kansas City Fed has already taken many steps to increase its sustainable practices, including the removal of polystyrene from its headquarters cafeteria, the introduction of recyclable flatware to accompany to-go meals, the installation of LED bulbs throughout its headquarters building and garage, and the implementation of occupancy sensors that turn lights off when a room is not in use.

Learn more about the Kansas City Fed's mission, vision and culture, including its Environmental Green Initiative, by visiting www.KansasCityFed.org/careers/culture.

Black Achievers Society honors Watson

The Black Achievers Society recognized Federal Reserve Bank of Kansas City Vice President Mark Watson for his career accomplishments, educational achievements and community impact.

Society members officially honored Watson during the Black Achievers Awards Dinner hosted by the Kansas City Fed in January. The Black Achievers Society's mission is to actively respond to the educational, social and economic needs of the community by providing role models for African Americans and minority youth.

Watson, who joined the Kansas City Fed in 1997, serves as a leader of the Bank's efforts to develop expertise in high-performance computing for economic research applications.

"It was a wonderful experience and it was a pleasure to share this event with my family and friends at work," he said.



Watson is congratulated by Kansas City Fed President Esther George and his wife, Valerie Nicholson-Watson.

Bank Anniversaries



The following banks in the Tenth Federal Reserve District are celebrating one, five, 10, 20 or more years as Federal Reserve members in April, May and June.

Sundance State Bank	Sundance	Wyo.	85
First State Bank	Ness City	Kan.	82
First Nebraska Bank	Valley	Neb.	82
Bank of Hartington	Hartington	Neb.	80
Bankwest of Kansas	Goodland	Kan.	77
First State Bank of Colorado	Hotchkiss	Colo.	74
First State Bank and Trust Company	Larned	Kan.	74
First State Bank in Temple	Temple	Okla.	73
Citizens-Farmers Bank Cole Camp	Cole Camp	Mo.	71
Bank of Commerce	Rawlins	Wyo.	38
Citizens Bank of Edmond	Edmond	Okla.	35
Bank of Jackson Hole	Jackson	Wyo.	34
Castle Rock Bank	Castle Rock	Colo.	30
Bankers Bank	Oklahoma City	Okla.	30
Citizens Bank of Oklahoma	Pawhuska	Okla.	10
Patriot Bank	Tulsa	Okla.	10
Cornhusker Bank	Lincoln	Neb.	10
RCB Bank	Claremore	Okla.	5
Commerce Bank	Kansas City	Mo.	5
Farmers Bank of Northern Missouri	Unionville	Mo.	5
FNB New Mexico	Clayton	N.M.	1
Central Bank of Sedalia	Sedalia	Mo.	1
BankLiberty	Liberty	Mo.	1

Money Smart Month promotes financial education outreach

The Federal Reserve Bank of Kansas City has sponsored Money Smart campaigns for eight years, which are coordinated outreach programs throughout the Tenth District designed to promote and encourage financial awareness. The Money Smart initiative is sponsored by collaborative efforts of the Kansas City Fed and corporations, financial institutions, schools, libraries, nonprofits, government agencies and media. Outreach is intended to reach all community members in need of financial resources, particularly members of underserved or low- to moderate-income communities.

Throughout the month of April, Money Smart Month will feature dozens of community events in the Tenth District cities of Kansas City, Kan., Kansas City, Mo., Topeka and Wichita, Kan., Denver and throughout Nebraska. The Kansas City Fed's Oklahoma City Branch will support the Oklahoma City Jump\$tart Coalition's Jump\$tart Your Money Week during the week of April 23-30. Sessions are designed to help consumers answer tough money questions about budgeting, credit, saving, investing, retirement, paying for college and other financial topics.

“Reaching out to low-to-moderate income communities gives us the opportunity to show that the Federal Reserve cares about making sure the economy works for everyone,” said Jeremy Hegle, a Kansas City Fed Community Affairs Advisor who coordinates the annual Money Smart Day initiative. “We can help people learn about resources that are available to them.”

Money Smart Month of Greater Kansas City will publish a new website this year that will be a one-stop shop for a variety of financial resources and available year-round.

“We hope this website will provide hands-on tools and valuable life skills to those who need it,” said Gigi Wolf, a senior economic education specialist at the Kansas City Fed, who is an organizer of Money Smart Month of Greater Kansas City and working on the website. “One barrier to financial security is knowledge and that’s something we have the ability to change.”

For a list of dates and events or to learn more about Money Smart at www.MoneySmartWeek.org or www.MoneySmartKC.org.



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FEDERAL RESERVE BANK OF *KANSAS CITY*



Bank President Esther George (center) discusses the new payment system initiative with Federal Reserve Governor Jerome Powell (left) and Federal Reserve Bank of St. Louis First Vice President Dave Sapenero on a nationwide webcast and answers questions about the Fed's plans to improve the payment system. President George is a member of the Federal Reserve's Financial Services Policy Committee and serves as the executive sponsor of the payments initiatives for the Federal Reserve System.

As the central bank of the United States, the *FEDERAL RESERVE* has a broad range of responsibilities. Its mission areas are conducting monetary policy, supervising and regulating financial institutions and providing financial services to depository institutions.

The Federal Reserve Bank of Kansas City, as one of the 12 regional headquarters, plays a key role in the success of these three areas. Here's a look at the operations of the Kansas City Fed and its Branch offices in Denver, Oklahoma City and Omaha.



The 2015 audited financial report for the Federal Reserve Bank of Kansas City is available online at KansasCityFed.org.



WORK

FEDERAL RESERVE BANK OF *KANSAS CITY*



A'Yanna Webster, a trainer in organizational development for the Human Resources Department, leads a discussion during a training session.

ADMINISTRATIVE SERVICES

This Division performs a variety of services to maintain efficient and effective internal operations at the Kansas City Fed. Functions include maintaining the Reserve Bank's facilities; providing a safe and secure work environment; developing and implementing human resources strategies to meet the evolving needs of the Fed's workforce and operating environment; developing the Bank's budget and monitoring its expenses; and providing accurate financial accounting and reporting. Additionally, the division houses the Human Resources Technology Center, which provides project management and operational support for the centrally managed Federal Reserve System HR application portfolio; and the Office of Minority and Women Inclusion (OMWI), which is responsible for overseeing the Bank's diversity initiatives as outlined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Facilities Management, Law Enforcement, Human Resources and Financial Management are included in the Administrative Services Division, which employs *294* people.

Senior Economist Jordan Rappaport, right, and Senior Editor Liz Willoughby review research that will be published in the Kansas City Fed's research publication "Economic Review."



Senior Vice President and General Auditor Josias Aleman, right, works with staff member Chris Guerra.

AUDIT

Audit reports to the Audit Committee of the Board of Directors and provides an independent and objective assessment of the Tenth Federal Reserve District's internal controls, risk management and governance processes to the Board of Directors and senior management. Audit employs 24 people.

ECONOMIC RESEARCH

Economic Research studies and evaluates monetary policy, macroeconomics and other issues of importance to the Kansas City Fed and the Federal Reserve System. Through publications and presentations, staff members communicate their research findings to the Bank's senior management and directors, policymakers, other researchers and the public. Annually, the Division, in collaboration with Public Affairs, develops and hosts the prestigious Jackson Hole Economic Policy Symposium in Wyoming, where central bankers, economists, policymakers and academics from around the world gather to discuss global economic topics. The Center for the Advancement of Data and Research in Economics (CADRE) provides high performance computing, data warehousing, and data management services to the Federal Reserve System. The Division employs 54 people.





Financial Services provides currency to commercial banks across the Tenth District through cash operations in Kansas City and the Denver Branch.

FINANCIAL SERVICES

Financial Services provides financial institutions with services and support in accessing the payments system and meeting the public's demand for currency and coin. Through Cash Services, Wholesale Operations, Customer Relations and Support departments, and Federal Reserve Consumer Help, the Division receives deposits and distributes currency and coin; supports secure and timely transfers of funds and

securities; provides financial institutions customer support and access to payment networks; consults with and sells payments services to financial institutions and manages customer relationships; and provides service to consumers nationwide who have questions or complaints about their financial institution. The Division employs *171* people.

INFORMATION TECHNOLOGY

The Information Technology Division works to support the efforts of business areas in the Federal Reserve Bank of Kansas City and the Federal Reserve System through innovative information technology solutions. The Division includes the Federal Reserve System's National Service Desk operations, Access Management and Provisioning and Enterprise Password Vault service providers, and SharePoint administration; as well as local IT Client Services, Application Delivery Services and Information Security. The Division employs *430* people.



Assistant Vice President Tanya Cvetan works with staff members Tim McMurray, left, and Nelson Williams on information security projects.



Bill Vandivort and Fawn Jamerson, members of the Legal Division, collaborate and research complex matters that affect the Bank.

LEGAL

The Legal Division serves as the Kansas City Fed's legal counsel, in support of the policy and business objectives of the Federal Reserve Bank of Kansas City. It provides legal services on complex matters affecting the Bank. The Division also supports senior management and the Bank's Boards of Directors at its head office and three branches, provides guidance on the Bank's Code of Conduct and collaborates on matters with colleagues across the Federal Reserve System. The Division employs *nine* people.

PAYMENTS

The Payments System Research and Strategies Division provides leadership, analytical support, policy analysis and research to support the Federal Reserve System's mission to promote a U.S. payment system that is efficient, safe and broadly accessible. The Division houses the Financial Services Policy Committee Support Office, which coordinates strategic and business planning for the Federal Reserve's financial services responsibilities. In addition, staff lead the program management office over a strategic initiative to improve the U.S. payment system. The Division's research group produces public-policy oriented academic research, written publications, and presentations on domestic and international payments systems. The Division employs *12* people.



Terri Bradford, center, works with teammates in the payments system research area, Erin McDonough, left, and Fumiko Hayashi, right, during a planning session.



Gigi Wolf, who coordinates economic education programs in the Public Affairs Department, leads a teacher training session.

REGIONAL, PUBLIC AND COMMUNITY AFFAIRS

The Division's primary responsibilities are research and policy influence, resource development, and communications and public understanding. Regional Affairs' economists track developments in the District's economy and present their findings to senior management as part of the Bank's monetary policy deliberations. Through publications, money museums, media relations, electronic communication and educational programs, Public Affairs works to explain the Fed's purpose and functions. Community Affairs promotes community and economic development for lower-income communities and small businesses through research, resources and programming. The Division employs **66** people.

RETAIL PAYMENTS TECHNOLOGY SERVICES

The Retail Payments Technology Services Division is responsible for providing the technology services supporting the Federal Reserve System's Check and Automated Clearing House services. The Division's mission is to foster the integrity, efficiency and accessibility of U.S. retail payment and settlement systems in support of financial stability and economic growth. The Division employs **85** people within the District, but has oversight for an additional **160** staff members across multiple other Reserve Districts.



Mattie Brown, a project manager in the Retail Payments Technology Services Division, works on technology projects designed to foster the integrity, efficiency and accessibility of the U.S. retail payment system.



Kansas City Fed examiners discuss issues they have encountered on recent examinations. From left, Justin Noon, Lori Carter, Beth Windsor, Jamar Turner, Malea Parton, Maurice Roper and Emily Dilley.

SUPERVISION AND RISK MANAGEMENT

The Division is responsible for supervising bank holding companies, savings and loan holding companies and state-chartered member banks in the Tenth District. The responsibilities include conducting examinations of these institutions to ensure a safe and sound banking system. Staff also examines banks for compliance with consumer laws and regulations and for performance under the Community Reinvestment Act. The Division's applications function reviews and analyzes applications received from banking organizations for transactions requiring approval such as acquisitions, mergers, establishing additional branches and changes in ownership or control. The Division's credit and risk management function extends credit to depository institutions and assists organizations in managing Federal Reserve account balances. The Division also collects data from financial organizations, studies financial industry trends, conducts banking research and hosts seminars and forums for banks throughout the region. The Division employs **337** people.

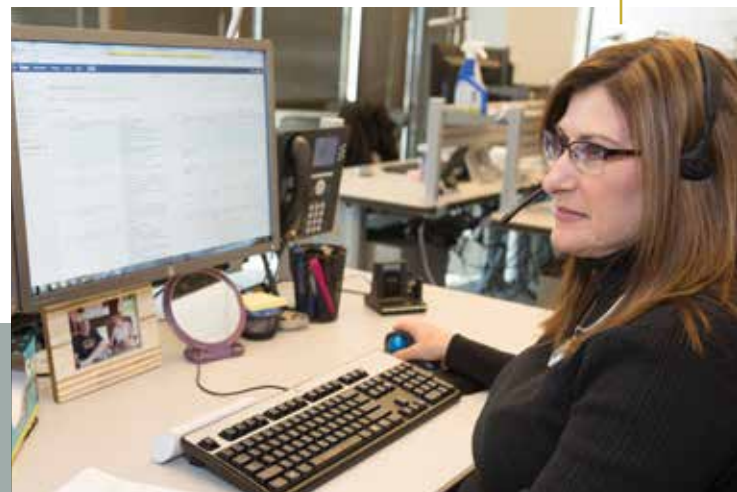
Denise Alexander, a manager in Information Technology, led a team that provided support to Treasury Services in 2015.

TREASURY SOLUTIONS AND TECHNOLOGY DELIVERY

The Treasury Services and Technology Support Division (TSD) provides project management, business analysis, and other leadership and operational services to Reserve Bank and U.S. Treasury business partners.

Within the Treasury Services area, the Bank carries out its fiscal agent responsibilities by partnering with the U.S. Treasury to provide program and leadership and support for programs within the payments, debt management and information management business areas.

The Technology Support area of TSD provides program/project management and business analysis services to a variety of Bank and System business areas, including Supervision and Regulation, Human Resources, and the Customer Relations and Support Office. The Division employs **118** people.



DIRECTORS
ROUNDTABLES
ADVISORY
COUNCILS
OFFICERS

MANAGEMENT COMMITTEE



(From left) Ms. Connor, Ms. Raley, Ms. Ward, Ms. Pacheco, Mr. Moore, Ms. George, Mr. Dubbert, Ms. Morhaus, Mr. Davig, Ms. Sellers, Ms. Pennell, Ms. Hendricks.

Esther L. George, President and Chief Executive Officer

Kelly J. Dubbert, First Vice President and Chief Operating Officer

Denise I. Connor, Senior Vice President, Retail Payments Technology Services Division

Troy A. Davig, Senior Vice President and Director of Research

Kevin L. Moore, Senior Vice President, Supervision and Risk Management Division

Dawn B. Morhaus, Senior Vice President, Treasury Services and Technology Support Division

Barbara S. Pacheco, Senior Vice President, Payments System Research and Strategies Division

Karen A. Pennell, Senior Vice President, Information Technology and Financial Services Divisions

Diane M. Raley, Senior Vice President, Regional, Public and Community Affairs Division and Chief of Staff

Donna J. Ward, Senior Vice President, Administrative Services Division and Director of the Office of Minority and Women Inclusion

Veronica M. Sellers, Advisor, General Counsel and Senior Vice President, Legal Division

Josias A. Aleman, Advisor, Senior Vice President and General Auditor

*Andrea D. Hendricks, Committee Secretary and Advisor, Assistant Vice President,
Deputy Director of the Office of Minority and Women Inclusion*

As the Federal Reserve Bank of Kansas City's senior leadership team, the Management Committee guides the organization's mission, vision, values and objectives.

DIRECTORS

FEDERAL RESERVE BANK OF *KANSAS CITY*

GOVERNANCE OF THE DISTRICT; GUARDIANSHIP OF THE SYSTEM

The Board of Directors of a Federal Reserve Bank is filled with a blend of appointed and elected positions using the criteria defined by Congress in the Federal Reserve Act. The nine-member board is divided evenly among three classifications. Directors serve staggered three-year terms.

CLASS A

The three Class A directors represent commercial banks that are members of the Federal Reserve System. These directors are bankers who are nominated and elected by member banks within the Tenth Federal Reserve District. The District includes Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming.

Under the Class A category, a director will be elected by a specific group of member banks classified as either 1, 2 or 3. This classification is based on the total amount of capital and surplus for each commercial bank, with Group 1 banks being the largest. Each group within the class elects one director. For example, Paul J. Thompson, president and chief executive officer of Country Club Bank of Kansas City, Mo., is a Class A director who was elected by, and represents, Group 1 member banks.

CLASS B

The three Class B directors represent the public, but, may not be an officer, director or employee of a financial affiliation company. These directors also are elected by member banks under the same categories as Class A directors. For example, Lilly Marks, vice president for Health Affairs, University of Colorado and Anschutz Medical Campus, Aurora, Colo., is a Class B director elected by Group 2 member banks.

CLASS C

The three Class C directors also represent the public. These directors, however, are appointed by the Board of Governors of the Federal Reserve System.

Like a Class B director, a Class C director may not be an officer, director or employee of a financial affiliation company. These directors may not own stock in a bank or a bank holding company. For example, Steve Maestas, chief executive officer of the Maestas Development Group in Albuquerque, N.M., is a Class C director. From the Class C directors, the Board of Governors selects one person as chair and another as deputy chair.

SERVING ON THE HEAD OFFICE BOARD

Federal Reserve Bank of Kansas City

Reserve Bank directors meet monthly to oversee the Bank's operations and policies and to confer on economic and banking developments. The directors also provide information on economic conditions within the District as part of the Bank president's preparation for Federal Open Market Committee meetings. Among directors' responsibilities is establishing the Kansas City Fed's discount rate, which is subject to review and determination by the Federal Reserve Board. The directors and their classifications are on page 48.

SERVING ON THE BRANCH BOARDS

Denver, Oklahoma City and Omaha

Each Branch of the Federal Reserve Bank of Kansas City also has its own seven-member Board of Directors. Four of these directors are appointed by the Federal Reserve Bank of Kansas City while three are appointed by the Board of Governors. Branch directors serve three-year terms and provide their respective Branch executives with insight on regional economic conditions as well as offer advice and counsel. Branch directors are listed on pages 49-51.

BOARD OF DIRECTORS, KANSAS CITY



(From left) Mr. Stout, Mr. Farrell, Ms. Marks, Mr. Wake, Mr. Maestas, Mr. Rodman, Ms. Washington, Mr. Brownback and Mr. Thompson.

Steve Maestas, Board Chair; Chief Executive Officer, Maestas Development Group, Albuquerque, New Mexico (Class C)

Rose M. Washington, Board Deputy Chair; Executive Director, Tulsa Economic Development Corporation, Tulsa, Oklahoma (Class C)

Jim Farrell, President and Chief Executive Officer, Farmers National Company, Omaha, Nebraska (Class C)

John T. Stout, Jr., Chief Executive Officer, Plaza Belmont Management Group LLC, Shawnee Mission, Kansas (Class B, Group 1)

Lilly Marks, Vice President for Health Affairs, University of Colorado and Anschutz Medical Campus, Aurora, Colorado (Class B, Group 2)

Len C. Rodman, Chairman, President and Chief Executive Officer (Retired), Black & Veatch, Overland Park, Kansas (Class B, Group 3)

Paul J. Thompson, President and Chief Executive Officer, Country Club Bank, Kansas City, Missouri (Class A, Group 1)

David W. Brownback, President and Chief Executive Officer, Citizens State Bank & Trust Company, Ellsworth, Kansas (Class A, Group 2)

Max T. Wake, President, Jones National Bank & Trust Co., Seward, Nebraska (Class A, Group 3)

FEDERAL ADVISORY COUNCIL MEMBER

Jonathan M. Kemper; Chairman, Commerce Bank – Kansas City Region, Kansas City, Missouri

*Directors oversee the Bank's operations and policies,
and confer on economic and banking developments.*

BOARD OF DIRECTORS, DENVER



(From left) Ms. Haines, Mr. Lewis, Mr. DeFrango, Ms. Kelly, Mr. Burt, Mr. Johnson and Mr. Zaback.

Margaret M. Kelly, Branch Chair, Chief Executive Officer (Retired), RE/MAX, LLC, Denver, Colorado (Board of Governors appointed)
Gary DeFrango, President and Chief Operating Officer, Winter Park Resort, Winter Park, Colorado (Board of Governors appointed)
Richard L. Lewis, President and Chief Executive Officer, RTL Networks, Inc., Denver, Colorado (Board of Governors appointed)
Ashley J. Burt, President, The Gunnison Bank and Trust Company, Gunnison, Colorado (Kansas City Fed Board appointed)
Anne Haines, President and Chief Executive Officer, Accion New Mexico - Arizona - Colorado - Nevada, Albuquerque, New Mexico (Kansas City Fed Board appointed)
Edmond Johnson, President and Owner, Premier Manufacturing, Inc., Frederick, Colorado (Kansas City Fed Board appointed)
Mark A. Zaback, President and Chief Executive Officer, Jonah Bank of Wyoming, Casper, Wyoming (Kansas City Fed Board appointed)

*Branch directors provide insight on local economic conditions and advise and counsel the Branch executives.
Branch directors must satisfy the same eligibility requirements that pertain to head office directors.*

— BOARD OF DIRECTORS, OKLAHOMA CITY



(From left) Mr. Stussi, Ms. Patel, Mr. Abernathy, Mr. Delaney, Mr. Hall, Mr. Coffman and Ms. Haskin.

Peter B. Delaney, Branch Chair, Chairman and Chief Executive Officer (Retired), OGE Energy Corporation, Oklahoma City, Oklahoma (Board of Governors appointed)

Clint D. Abernathy, President, Abernathy Farms, Inc., Altus, Oklahoma (Board of Governors appointed)

Doug Stussi, Executive Vice President and Chief Financial Officer, Love's Travel Stops & Country Stores, Oklahoma City, Oklahoma (Board of Governors appointed)

Michael C. Coffman, President and Chief Executive Officer, Panhandle Oil & Gas, Inc., Oklahoma City, Oklahoma (Kansas City Fed Board appointed)

Charles R. Hall, Chairman and Chief Executive Officer, Exchange Bank and Trust Company, Perry, Oklahoma (Kansas City Fed Board appointed)

Jane Haskin, President and Chief Executive Officer, First Bethany Bank and Trust, Bethany, Oklahoma (Kansas City Fed Board appointed)

Tina Patel, Chief Financial Officer, Promise Hotels, Inc., Tulsa, Oklahoma (Kansas City Fed Board appointed)

BOARD OF DIRECTORS, OMAHA



(From left) Mr. Esch, Mr. Krejci, Mr. Thom, Mr. Russell, Mr. Bourne, Mr. Butler and Ms. Hindrey.

G. Richard Russell, Branch Chair, President and Chief Executive Officer, Millard Lumber Inc., Omaha, Nebraska
(Board of Governors appointed)

John F. Bourne, International Representative, International Brotherhood of Electrical Workers (IBEW), Omaha, Nebraska
(Board of Governors appointed)

Eric Butler, Executive Vice President - Marketing & Sales, Union Pacific Railroad, Omaha, Nebraska (Board of Governors appointed)

Brian D. Esch, President and Chief Executive Officer, McCook National Bank, McCook, Nebraska, (Kansas City Fed Board appointed)

Anne Hindery, Chief Executive Officer, Nonprofit Association of the Midlands, Omaha, Nebraska (Kansas City Fed Board appointed)

Jeff W. Krejci, President and Director, Cornerstone Bank, York, Nebraska (Kansas City Fed Board appointed)

James L. Thom, Vice President, T-L Irrigation Co., Hastings, Nebraska, (Kansas City Fed Board appointed)

ECONOMIC ROUNDTABLES

FEDERAL RESERVE BANK OF *KANSAS CITY*

FOOD AND AGRICULTURE ROUNDTABLE



(Front row, from left) Dhamu Thamodaran; Ankush Bhandari; Andrew Gottschalk; Mark Byars; Peter Headley; Steve Wellman; Ron Farrell (Second row, from left) Stephanie Liska; Bob Nolan; Steve Elmore; Dave Englund; Todd Becker; Nick Hatz (Third row, from left) James Robb; Luke Chandler; Bill Horan; Steve George; Ray Wyse; Neil Dierks; Bill Lapp; Howard Hill (Fourth row, from left) Nathan Kauffman; Cortney Cowley; Matt Clark; Bill Brooks; Bruce Sherrick; Jim Timmerman.

Participants from ranching, agriculture, biofuels, dairy, financing and other sectors meet annually with Kansas City Fed staff to give presentations on their industry and participate in open discussions.

FOOD AND AGRICULTURE ROUNDTABLE

Todd Becker

President and Chief Executive Officer
Green Plains Inc.
Omaha, Nebraska

Ankush Bhandari

Vice President
Gavilon, LLC
Omaha, Nebraska

Bill Brooks

Dairy Economist
INTL FCStone
Dearborn, Missouri

Mark Byars

Vice President
Adams Land & Cattle Co.
Broken Bow, Nebraska

Luke Chandler

Deputy Chief Economist
Deere & Company
Moline, Illinois

Matt Clark

Assistant Economist
Federal Reserve Bank of Kansas City,
Omaha Branch
Omaha, Nebraska

Cortney Cowley

Economist
Federal Reserve Bank of Kansas City,
Omaha Branch
Omaha, Nebraska

Neil Dierks

Chief Executive Officer
National Pork Producers Council
Urbandale, Iowa

Steve Elmore

Chief Ag Economist
DuPont Pioneer
Johnston, Iowa

Dave Englund

Senior Vice President of Farm and
Ranch Operations
Farmers National Company
Omaha, Nebraska

Ron Farrell

Partner
Farrell Growth Group
Gladstone, Missouri

Steve George

President and Chief Executive Officer
Fremont Farms of Iowa, LLP
Malcom, Iowa

Andrew Gottschalk

Senior Vice President
RJ O'Brien & Assoc.
Greenwood Village, Colorado

Nick Hatz

Assistant Vice President
Federal Reserve Bank of Kansas City,
Omaha Branch
Omaha, Nebraska

Peter Headley

Managing Director
MetLife Agricultural Investments
Overland Park, Kansas

Howard Hill

Past President
National Pork Producers Council
Urbandale, Iowa

Bill Horan

Partner
Horan Brothers
Rockwell City, Iowa

Nathan Kauffman

Assistant Vice President and
Branch Executive
Federal Reserve Bank of Kansas City,
Omaha Branch
Omaha, Nebraska

Bill Lapp

President
Advanced Economic Solutions
Omaha, Nebraska

Stephanie Liska

President and Chief Executive Officer
Beck Ag
Wayne, Nebraska

Bob Nolan

Senior Vice President
ConAgra Foods
Naperville, Illinois

James Robb

Director
LMIC
Lakewood, Colorado

Bruce Sherrick

Fruin Professor of Farmland Economics,
TIAA-CREF Center for Farmland Research
University of Illinois
Urbana, Illinois

Dhamu Thamodaran

Executive Vice President and Chief
Commodity Hedging Officer
Smithfield Foods
Smithfield, Virginia

Jim Timmerman

Partner
Timmerman Land & Cattle Co.
Springfield, Nebraska

Steve Wellman

President
Wellman Farms
Syracuse, Nebraska

Ray Wyse

Managing Partner
SWAT LLC
Omaha, Nebraska



(From left) Mr. Robinson, Mr. Wobbekind, Mr. Hill, Mr. Rickman, Mr. D. Mitchell, Mr. Thompson and Mr. J. Mitchell.

Jeremy Hill, Director, Center for Economic Development and Business Research, Wichita State University, Wichita, Kansas

David Mitchell, Assistant Professor, Missouri State University, Springfield, Missouri

Jeff Mitchell, Director, Bureau of Business and Economic Research, University of New Mexico, Albuquerque, New Mexico

Dan Rickman, Regents Professor of Economics, Oklahoma Gas and Electric Services Chair in Regional Economic Analysis, Oklahoma State University, Stillwater, Oklahoma

Jim Robinson, Principal Economist, State of Wyoming, Economic Analysis Division, Laramie, Wyoming

Eric Thompson, Associate Professor of Economics, Director of the Bureau of Business Research Economics, University of Nebraska, Lincoln, Nebraska

Richard L. Wobbekind, Senior Associate Dean for Academic Programs, Executive Director, Business Research Division, University of Colorado, Boulder, Colorado

Economists from the seven Tenth District states meet annually with Kansas City Fed staff to review the state's activities from the past year and offer future insight. Sectors discussed include housing, manufacturing, agriculture, construction, energy, banking, employment, retail and exports.

ADVISORY COUNCILS

FEDERAL RESERVE BANK OF *KANSAS CITY*





(From left) Mr. McCaleb, Mr. Latenser, Mr. Aulick, Ms. Vincent-Collawn, Mr. Solomon, Ms. Gold, Mr. Collins, Mr. Neiman, Mr. Lackey and Mr. Merritt.

Vincent L. (Vinc) Aulick, President, Aulick Industries and Aulick Manufacturing, Scottsbluff, Nebraska

Michael Collins, President and Chief Executive Officer, Port KC, Kansas City, Missouri

Katherine Gold, President, Goldbug, Inc., Aurora, Colorado

Ken Lackey, Chairman of the Board, Nordam, Tulsa, Oklahoma

John Latenser, Owner, Neff Packaging Systems, Kansas City, Kansas

Steve Martin (not pictured), President and Chief Executive Officer, Blue Cross Blue Shield, Omaha, Nebraska

Caleb McCaleb, Owner and President, McCaleb Homes, Edmond, Oklahoma

Taylor Merritt, Chief Financial Officer, Merritt Equipment Company, Henderson, Colorado

Jim D. Neiman, President and Chief Executive Officer, Neiman Enterprises, Inc., Hulett, Wyoming

Dan Solomon, Chief Risk Officer, Koch Industries, Inc., Wichita, Kansas

Pat Vincent-Collawn, Chairman, President and Chief Executive Officer, PNM Resources, Albuquerque, New Mexico

Bridgette Williams (not pictured), Deputy Director, Heavy Constructors Association of Greater Kansas City, Kansas City, Missouri

Members, who represent business and labor from the Tenth District, meet twice a year with Kansas City Fed staff to offer insight on the regional economy.

COMMUNITY DEVELOPMENT ADVISORY COUNCIL



(From left) Mr. Radley, Ms. Washington, Mr. McQueen, Ms. Marquez and Ms. Plumb.

Marie Longserre (not pictured), President and Chief Operating Officer, Santa Fe Business Incubator, Santa Fe, New Mexico

Shelley Marquez, Senior Vice President and Community Development Manager, Wells Fargo Bank, Denver, Colorado

Clyde McQueen, President and Chief Executive Officer, Full Employment Council, Kansas City, Missouri

Susan Plumb, Executive Vice President and Director, Bank of Cherokee County, Tahlequah, Oklahoma

Steve Radley, President and Chief Executive Officer, NetWork Kansas, Andover, Kansas

John Santner (not pictured), Midwest Regional Director, NeighborWorks America, Kansas City, Missouri

Craig Showalter (not pictured), President and Chief Executive Officer, Wyoming Community Foundation, Laramie, Wyoming

Katrina Washington, Broker/Owner of Stratos Realty, Stratos Realty Group LLC, Oklahoma City, Oklahoma

Members, who come from financial institutions, nonprofits and businesses, meet twice a year with Kansas City Fed staff to offer insight on economic and community development issues in the region.

COMMUNITY DEPOSITORY INSTITUTIONS ADVISORY COUNCIL



(From left) Mr. Larson, Mr. Wright, Mr. Burrage, Mr. Dicus, Ms. Withers, Mr. Heckman, Ms. Paxton, Mr. France, Ms. Minard, Mr. Ferraro, Mr. Warnemunde and Mr. Symcox.

David Burrage, President and Chief Executive Officer, FirstBank, Atoka, Oklahoma

John Dicus, President and Chief Executive Officer, Capitol Federal Savings Bank, Topeka, Kansas

Douglas Ferraro, President and Chief Executive Officer, Bellco Credit Union, Greenwood Village, Colorado

Copper France, President, Bank of Commerce, Rawlins, Wyoming

Kyle Heckman, President and Chief Executive Officer, Flatirons Bank, Boulder, Colorado

Kevin Larson, President, CharterWest Bank, West Point, Nebraska

Patricia (Trish) Minard, President and Chief Executive Officer, Southwest National Bank, Wichita, Kansas

Elaine Paxton, President and Chief Executive Officer, First National Bank of Clinton, Clinton, Missouri

Lee R. Symcox, President and Chief Executive Officer, First Fidelity Bank, Oklahoma City, Oklahoma

David J. Warnemunde, Chairman, President and Chief Executive Officer, Madison County Bank, Madison, Nebraska

Kim Withers, President and Chief Executive Officer, Meridian Trust Federal Credit Union, Cheyenne, Wyoming

David Wright, President, AMG National Trust Bank, Englewood, Colorado

Members represent banks, thrift institutions and credit unions from around the Tenth Federal Reserve District. They meet twice a year with Kansas City Fed staff to provide perspective on lending issues, the economy and other issues of interest to community depository institutions.

PAYMENTS ADVISORY GROUP



(From left) Ms. Howe, Mr. Reuter, Ms. Padmanabhan, Mr. Lindgren, Mr. Lyons, Mr. Frank, Ms. Haskin, Mr. Oatman, Mr. Thurman, Mr. Fosler, Ms. Vande Velde and Mr. Copeland.

Scott Copeland, Executive Vice President, BancFirst, Oklahoma City, Oklahoma

Alan Fosler, Senior Vice President and Cashier, Union Bank & Trust Company, Lincoln, Nebraska

Mark Frank, Executive Vice President, CoBiz Bank, Denver, Colorado

Jane E. Haskin, President and Chief Executive Officer, First Bethany Bank & Trust Co., Bethany, Oklahoma

Janet Howe, Executive Vice President and Chief Operating Officer, ANB Bank, Colorado Springs, Colorado

Steve Lindgren, Executive Vice President and Chief Operating Officer, Cornhusker Bank, Lincoln, Nebraska

Tim Lyons, President, TTCU The Credit Union, Broken Arrow, Oklahoma

Russell Oatman, Senior Vice President, First National Bank of Omaha, Omaha, Nebraska

Suchitra Padmanabhan, President, CBW Bank, Weir, Kansas

Jim Reuter, President, FirstBank Data Corporation, Lakewood, Colorado

Bob Thurman, Chief Executive Officer, Credit Union of America, Wichita, Kansas

Tamara Vande Velde, First Vice President & Chief Information Officer, Capitol Federal Savings, Topeka, Kansas

Members represent financial institutions around the Tenth Federal Reserve District. They meet periodically with Kansas City Fed staff to provide insight on developments in the U.S. payments system and advise on actions the Federal Reserve might take to ensure the system's safety and efficiency while providing broad access.

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Assistant Vice President,
Branch Executive and Economist

Nicholas Hatz
Assistant Vice President





PEOPLE

PRACTICES

PARTNERSHIPS

COMMITMENT TO

Diversity & Inclusion

FEDERAL RESERVE BANK OF KANSAS CITY

2015 REPORT TO CONGRESS ON THE

OFFICE OF MINORITY AND WOMEN INCLUSION





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ON THE COVER: *Federal Reserve Bank of Kansas City employees, from left: Pat Schleiger, Exams and Inspections, Omaha; Chad Parker, Retail Payments Technology Services, Kansas City; Porcia Block, Consumer Affairs, Kansas City; Nicole Connelly, Public Affairs, Omaha; Haley Burson, Human Resources, Oklahoma City; Harry Harris, Law Enforcement, Denver; Praveena Devaraj, Information Technology, Kansas City; and Chris Constant, Consumer Affairs, Kansas City.*

ESTHER L. GEORGE
PRESIDENT AND CHIEF EXECUTIVE OFFICER
FEDERAL RESERVE BANK OF KANSAS CITY



MARCH 31, 2016

For many years, the Federal Reserve Bank of Kansas City has taken steps to ensure the diverse region it serves is represented in its workforce, its procurement and supplier relationships, and in the partnerships it develops with community and educational organizations.

This report highlights the many ways we have made diversity and inclusion a priority throughout 2015 in the areas of People, Practices and Partnerships and details our efforts in meeting the requirements outlined by Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Through the Bank's Office of Minority and Women Inclusion (OMWI), we seek to strengthen and continuously improve our long-standing traditions of ensuring our activities are inclusive and representative of the range of backgrounds and experiences that make up the Federal Reserve's Tenth District. The following pages tell the story of our successes and challenges in meeting this goal during 2015.

Successes include strengthening existing relationships and developing new partnerships with area organizations that promote diversity in the community. Challenges such as a growing knowledge-based and technology-based workforce present opportunities for 2016 and beyond.

Please visit www.KansasCityFed.org to learn more about our successes, innovative programs and links to past OMWI Annual Reports, as well as information on our supplier and hiring opportunities and summaries of our key community initiatives.

A handwritten signature in black ink that reads "Esther L. George". The signature is written in a cursive, flowing style.

Esther L. George
President and Chief Executive Officer
Federal Reserve Bank of Kansas City

Executive Summary



The Bank's Diversity Strategy Steering Council includes, from left: Senior Vice President Denise Connor, Vice President Krissy Young, Senior Vice President Diane Raley, Vice President Amy Cole, Assistant Vice President and OMWI Deputy Director Andrea Hendricks, Senior Vice President Kevin Moore, Senior Vice President and OMWI Director Donna Ward, Senior Vice President and General Counsel Veronica Sellers, Senior Vice President Dawn Morhaus, Vice President Kristi Coy and Vice President Stephanie Stratemeier. Not pictured: Vice President Mark Watson.

The

Federal Reserve Bank of Kansas City's Office of Minority and Women Inclusion in 2015 continued to lead and strengthen the Bank's commitment to diversity and inclusion.

The Bank recognizes that achieving its mission and serving its large, varied region requires diversity that reflects the communities it serves and the people it represents. The Bank experienced a number of successes during 2015 relative to its strategy of focusing on People, Practices and Partnerships.

OFFICE OF MINORITY AND WOMEN INCLUSION

The Kansas City Fed's Office of Minority and Women Inclusion (OMWI) is led by Donna Ward, who has been the office's director since 2010. Ward is senior vice president of the Bank's Administrative Services Division, which is responsible for the Bank's human resources and procurement functions.

Andrea Hendricks is OMWI deputy director, a position she has had since 2014. In May 2015, Hendricks was appointed assistant vice president and secretary and advisor to the Bank's Management Committee. In this role, Hendricks advises the Committee on diversity and inclusion matters and continues to lead the Bank's diversity and inclusion portfolio of work.

Hendricks also leads a broad portfolio of human resources work, including onboarding, orientation and engagement programs, Equal Employment Opportunity (EEO) programs, employee and leadership development and training, and diversity training.

STANDARDS AND PROCEDURES

While the Bank has had a rich history of diversity and inclusion long before the Dodd-Frank Act of 2010, the Act allowed leadership to create more formal standards and procedures through OMWI for the following:

- EEO and racial, ethnic and gender diversity of the workforce and senior management.
- Participation of minority-owned and women-owned businesses in the Bank's programs and contracts.
- Fair inclusion in the workforce of contractors.
- Technical assistance for minority-owned and women-owned businesses.



Donna Ward, right, is OMWI director and senior vice president of the Bank's Administrative Services Division; Andrea Hendricks is deputy director of OMWI and an assistant vice president.

PEOPLE, PRACTICES AND PARTNERSHIPS

The Bank's focus on diversity and inclusion applies to all business areas. Throughout 2015, the Bank enhanced its efforts to remain proactive and progressive relative to its strategy.

PEOPLE

- The Bank's hiring rates for diverse job candidates showed significant movement. The total minority hiring rate increased to 32.3 percent from 20.5 percent in 2014. Following a significant increase in 2014, the hiring rate for women slightly decreased to 38.6 percent.
- More than 200 Bank employees recruited talent at 37 colleges across 10 states, including 14 historically minority institutions. To increase the Bank's emphasis on attracting diverse talent, campus recruiting teams participated in unconscious bias training.
- Participation in the Bank's mentorship program continued to grow. A total of 368 employees participated, including 23.7 percent of the minority workforce and 30.2 percent of women in the workforce.

PRACTICES

- The Bank identified and included diverse suppliers in 85.0 percent of all requests for proposals in 2015, up from 78.6 in 2014.
- The Bank awarded 22.9 percent of all contracts to minority-owned and women-owned businesses in 2015.

PARTNERSHIPS

- More than 18,500 students attended a financial education program hosted by the Bank.

Overview



Bank President Esther George and Board Chair Steve Maestas host a pinning ceremony to honor the accomplishments of the Bank's Student Board of Directors. To view a roster of student directors, visit <https://www.kansascityfed.org/education/foreducators/student-board>.

Founded

in 1914, the Federal Reserve Bank of Kansas City is one of 12 Regional Banks, which along with the Board of Governors in Washington D.C., comprise the Federal Reserve System.

THE TENTH DISTRICT

As the central bank for the United States, the Federal Reserve System is responsible for three mission areas: setting the nation's monetary policy, providing financial services to depository institutions, and supervising and regulating financial institutions. The System's decentralized structure, which includes local boards of directors and advisory councils at each Reserve Bank, ensures that a broad spectrum of views from the public at the regional level is included in national policy deliberations.

The Kansas City Fed employs nearly 1,600 people at its head office in Kansas City and Branch offices in Denver, Oklahoma City and Omaha.

The Bank is responsible for the Tenth Federal Reserve District, an area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and western Missouri.

The economy of the Tenth District represents a wide and diverse range of industries, including agriculture, banking, energy, manufacturing, aerospace, hospitality/tourism and military. Within the District, 26.2 percent of residents live in rural areas, more than the national average of 14.5 percent. Additionally, 29.9 percent of the District's population is minority, compared to 36.7 percent in the nation as a whole.

The Bank's 12-member senior leadership team, which is comprised of executives responsible for setting policy and strategic direction, includes eight women, representing 66.7 percent of senior leadership. This is much higher than the 25.7 percent average for equivalent positions at Kansas City-area companies. Minorities represent 16.7 percent of the senior leaders, exceeding the 6.7 percent average for equivalent positions at Kansas City-area companies.

The Bank also focuses on diversity among the members of its boards of directors. In 2015, minorities and women held board leadership positions across the District, including as chair and deputy chair of the Kansas City head office and chair of the Denver Branch.

In 2015, 37 percent of the District's Board of Directors was comprised of women and minorities representing a broad and diverse cross section of business and industry. These board members include: Steve Maestas, chief executive officer, Maestas Development Group; Rose Washington, executive director, Tulsa Economic Development Corp.; Lilly Marks, vice president for health affairs, University of Colorado and Anschutz Medical Campus; Anne Haines, president and CEO, Accion New Mexico • Arizona • Colorado • Nevada; Edmond Johnson, president and owner, Premier Manufacturing Inc.; Margaret Kelly, retired chief executive officer, RE/MAX LLC; Richard Lewis, president and CEO, RTL Networks Inc.; Jane Haskin, president and chief executive officer, First Bethany Bank & Trust; Tina Patel, chief financial officer, Promise Hotels Inc.; Anne Hindery, chief executive officer, Nonprofit Association of the Midlands; and Eric Butler, executive vice president, marketing and sales, Union Pacific Railroad.



Steve Maestas, CEO of Maestas Development Group, is chair of the Bank's Board of Directors.



Rose Washington, executive director of the Tulsa Economic Development Corp., is deputy chair of the Bank's Board of Directors.

People

MINORITY AND WOMEN EMPLOYMENT



Bank employees and family members demonstrated and shared their cultural traditions and heritage through dance, music, cultural dress and oration during a Multicultural Showcase.

The

Federal Reserve Bank of Kansas City continues to promote and support at the highest level a commitment to a generational and diverse workforce to meet its current and future challenges. This commitment to diversity, which includes such factors as race, gender, religion, national origin, diverse thought, age, sexual orientation and disability, strengthens the Bank's ability to attract, retain and develop the talented workforce needed to carry out its public role.

During 2015, the Bank's practices and programs continued to evolve, helping to ensure it is recruiting and developing a workforce that is representative of the labor pool of qualified candidates for positions at all levels in the markets where it operates. The Bank views its diversity and inclusion efforts as more than just policies and practices. These efforts are an integral part of our organizational culture and they guide how we operate now and in the future.

RECRUITMENT

Each year, a number of Bank employees visits college campuses spanning 10 states, to recruit talent to the organization. Of these campuses, many are majority-minority serving colleges and universities. Among the events the recruiting teams attend at majority-minority serving colleges and universities are career fairs, classroom presentations and on-campus interviews. To increase the Bank's emphasis on attracting diverse talent from all campuses, recruiting teams in 2015 participated in unconscious bias training. Furthermore, a Diversity Liaison Program was created in which each team assigned a team member to connect and build relationships with multicultural offices and diverse student organizations on those campuses.

25

In 2015, Bank employees attended 25 campus events at historically minority and women's colleges and universities.

Throughout 2015, Bank employees participated in events at:

- Clark Atlanta University
- Colorado State University at Pueblo
- Cottey College
- Langston University
- Lincoln University
- Morehouse College
- Prairie View A&M University
- Saint Mary's College
- Spelman College
- Stephens College
- Texas Southern University
- Texas Woman's University
- University of Arkansas at Pine Bluff
- University of New Mexico

In addition to campus recruiting, the Bank pursued qualified applicants through targeted events and programs. The Bank participated in 16 urban career fairs, including the Asian American Chamber of Commerce Career Fair, the Women of Color Leadership Conference and the Women in Technology Summit, among others.

60

The Bank participated in 60 diverse events with urban and diverse professional organizations, including INROADS, 100 Black Men, NSHMBA and the Urban League.

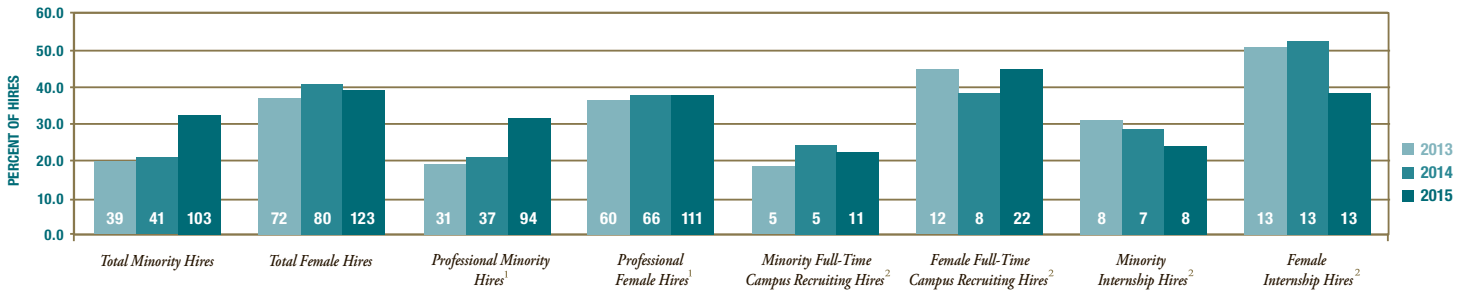
As part of the Federal Reserve System, the Bank also participated in five recruiting initiatives at national conferences, including:

- Association of Latino Professionals in Finance and Accounting
- National Black MBA Association
- National Society of Hispanic MBAs
- Thurgood Marshall College Fund Leadership Institute
- EOP STEM Diversity Career Expo



The Bank partners with groups such as the National Society of Hispanic MBAs, which had a professional development seminar at the Bank. Keynote speaker Carlos Ledezma, president and CEO of Cable Dahmer Automotive Group, second from right, spoke about his experience as an Hispanic business leader.

MINORITY AND FEMALE RECRUITING



¹ Percentage reflects official, management and professional staff

² Data reflect employees who started in the represented year

In the Kansas City office in 2015, minority IT professionals in the Bank's workforce increased from 18.4 percent to 23.0 percent, and women IT professionals increased from 31.1 percent to 32.2 percent.

EMPLOYEE RETENTION AND DEVELOPMENT

The Bank retains and develops a diverse workforce by fostering an inclusive work environment with an emphasis on training, development and enrichment activities. All aspects of the employee experience, from new employee orientation to mentorship and training and development, emphasize diversity and inclusion.

Diversity and inclusion training programs offered at the Bank extend beyond basic compliance training on EEO policies and practices and harassment prevention. Among the courses and assessment tools available to employees:

- Applied Leadership Practices Series
- EEO Refresher Training
- Being an Inclusive Leader
- Building Trust
- Generations
- Valuing Differences
- Peacock in the Land of Penguins
- I Filter
- Discovering Diversity Profile

Development and enrichment activities are promoted to all employees and include one-on-one mentoring, mentoring circles, communities of practice and the Employee Diversity Council (EDC). A new program in 2015 was the Women in Technology Community of Practice. Participation in the Bank's mentorship program continued to grow throughout 2015. A total of 368 employees participated, including 23.7 percent of the minority workforce and 30.2 percent of women in the workforce. Since 2011, minority participation in the formal mentorship program has increased 17.8 percentage points and participation among women has increased 16.8 percentage points.

368

Number of Bank employees who participated in the Bank's mentorship program in 2015, or about 25 percent of the workforce. Participation in the program by minorities (23.7 percent) and women (30.2 percent) has increased steadily since 2011.

The Diversity Strategy Steering Council, comprised of senior leaders of the Bank, provides leadership support, guidance and resources to the Bank's diversity and inclusion efforts. The council, together with the EDC and EDC diversity liaisons, works to make the Bank's diversity strategy a priority and to promote diversity and inclusion in the workplace.

The EDC includes employees from business areas across the Bank and promotes diversity and an inclusive environment through a variety of enrichment activities. The EDC hosted 14 events in 2015 with over 900 participants, including an annual Diversity Awareness Week. During the week, employees participated in a variety of activities that promoted awareness about the important role of diversity and inclusion to the Bank. Activities included a presentation about the movie “Selma” and its connection to Kansas City black history; a Multicultural Showcase featuring employees demonstrating and sharing their cultural traditions and heritage through dance, music, cultural dress and oration; and a performance by a percussion group demonstrating diverse instruments from African, Indian and Western countries.

COMMUNITY PARTNERSHIPS

In 2015, four new signature diversity and inclusion summits were hosted at the Bank in support of our long-standing commitment to diversity and inclusion and to create a community forum around the importance of diversity and inclusion in our organizations and communities.

During the year, these summits were focused on Disability Inclusion, the State of Black and Hispanic Kansas City,

Women in Technology and Building Professional Business Networks. In addition to the four summits, the Bank hosted eight other diversity community events to connect with diverse professional organizations and prospective talent.

The Bank increased its community partnerships to 17, including seven relationships initiated in 2015:

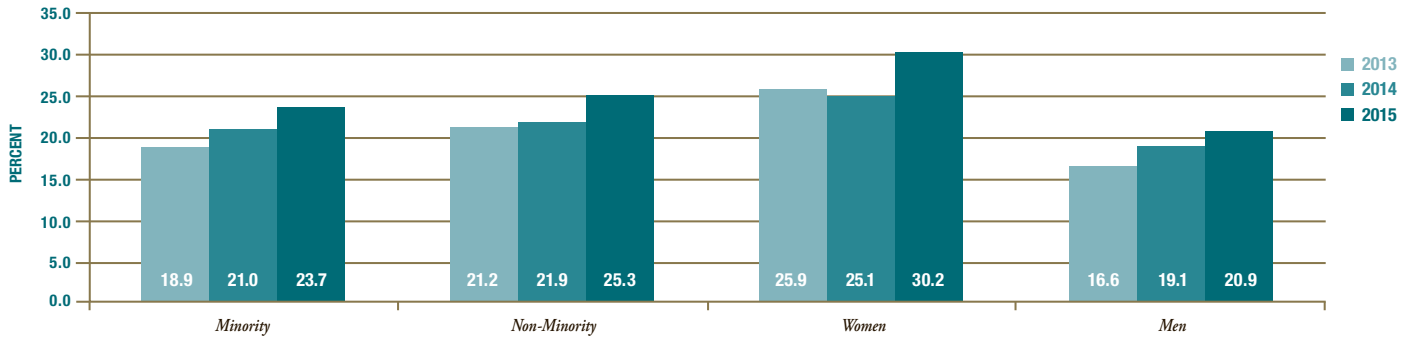
- 100 Black Men of Greater Kansas City*
- Asian American Chamber of Commerce of Kansas City
- Association of Latino Professionals for America*
- Black Achievers Kansas City*
- Heartland Black Chamber of Commerce of Greater Kansas City
- Hispanic Chamber of Commerce of Greater Kansas City
- Greater Kansas City Business Leadership Network*
- Greater Kansas City Chamber of Commerce Diversity Network
- INROADS Inc.
- Mid-America Gay & Lesbian Chamber of Commerce*
- National Black MBA Association
- National Society of Hispanic MBAs
- Project Equality*
- Urban Financial Services Coalition of Greater Kansas City
- Urban League of Greater Kansas City
- Women’s Employment Network
- Women in Technology International*

**Partnerships added in 2015*



The Bank actively recruits diverse interns, such as Victoria Onuzuruike of the Human Resources Department, who was recognized by INROADS Inc. of Kansas City with its Junior of the Year award for 2014-15.

MENTORSHIP PROGRAM PARTICIPATION RATES¹



¹ Percentage reflects total workforce

INTERNAL REPORTING AND ASSESSMENT

The Bank has an established, systematic process to measure progress toward achieving its diversity and inclusion objectives. Senior leaders assess the Bank's performance quarterly by reviewing key metrics, including workforce representation compared to the Kansas City MSA, hiring rates for minorities and women, diverse recruiting activities, employment advertisements in diverse media and partnerships with community organizations. Retention also is monitored through

separation rates, mentorship program participation and results from employee engagement surveys. Diversity and EEO-related metrics are shared regularly with the Bank's Management Committee. Additionally, semi-annual Diverse Workforce and Spend Reports are prepared at the Bank and Division levels and shared with senior management to reflect outcomes in each business area. In 2015, a community partnership scorecard was developed to track successes related to the Bank's various external partners.



Bank President Esther George congratulates employees who received the 2015 Excellence in Mentoring award, from left: Roger Moore, Karen Ellis, Holly Steffes, Keely Kropf, Curt Haverland, Esther George, Tyler Crouse, Madison Richardson, Sean Paddock and Veronica Sellers.



Members of the Bank's Minority Members of Management Mentoring Circle include, front row from left, Porcia Block and Co-Chair Andrea Hendricks; back row from left, Jeff Legette, Chris Constant, Juan Martinez and Co-Chair Mark Watson. Not pictured: Terry Browning, Ariel Cisneros, Paulo Dominquez, Dell Gines, Harry Harris, Lara Hurst, Melissa Norwood, Latonya Prather, Calvin Robertson, Margery Sendze, Yaira Velez, Jackson Winsett and Co-Chair Krissy Young.

CHALLENGES

The Bank is committed to its workforce diversity and inclusion strategies and addressing challenges in meeting its goals. Key challenges include:

- The Bank's workforce composition continues to evolve to an increasingly knowledge-based and technology-based skill set. The demand for highly specialized and technical positions, particularly for minority and women candidates with experience in these areas, presents a challenge for the Bank's recruitment efforts.
- Within the markets in which the Bank operates, there are a limited number of colleges and universities that historically are minority focused.
- Competition in our market/District to attract experienced talent for specialized technology based skill sets.
- Within the markets in which the Bank operates, there are limited numbers of IT/finance minority and women's professional organizations to recruit experienced professional talent and a lack of role models to help attract professional talent to the industry.
- Minority representation at the highest levels of the technical leadership ladder is limited.

LOOKING AHEAD

As the Bank continues to seek ways to improve its workforce inclusion efforts, it has identified a number of future goals, including:

- Develop signature recruiting programs aimed at attracting and recruiting diverse talent.
- Partner with top key national professional organizations to attract diverse talent to the Bank, i.e., Women in Technology.
- Enhance the Bank's diversity and inclusion training model for all members of Bank management to focus leaders on barriers to recruitment and retention of diverse talent.
- Develop a robust, ongoing communication strategy to more effectively communicate the Bank's commitment to diversity and inclusion with interested diverse professionals and key stakeholders.
- Enhance diversity and inclusion throughout the employee experience life cycle and throughout the onboarding program and two-year experience.
- Develop critical touch points with new minority and women employees throughout the year to ensure they are connected to the Bank and understand key community internal and external resources for success.

Practices

SUPPLIER DIVERSITY



President Esther George helped welcome community leaders to the Bank in October for a Diversity and Inclusion Summit. Among those attending, from left: Daniel Silva, executive director, Kansas City Kansas Area Chamber of Commerce; Michael Lintecum, executive director, Mid-America Gay & Lesbian Chamber of Commerce; Christal Watson, president and CEO, Heartland Black Chamber of Commerce; Esther George; Donna Ward, senior vice president of the Bank; Sook Park, executive director, Asian American Chamber of Commerce; Andrea Hendricks, assistant vice president of the Bank; and Carlos Gomez, president and CEO, Hispanic Chamber of Commerce of Greater Kansas City.

Strategies

The Bank's strategy on supplier diversity encourages acquisition of goods and services from diverse suppliers, including businesses owned by minorities and women. When the Bank makes competitive acquisitions it carries out this strategy by seeking to include, when available, at least one business owned by a minority and one owned by a woman.

Diversity in suppliers creates value by providing the Bank access to a wider pool of qualified suppliers. The community also benefits in that small and diverse businesses gain access to business opportunities. The Bank affirms its commitment to supplier diversity by including language in its contracts that states its commitment to equal opportunity in employment and contracting. The contract language further states that by entering into a contract with the Bank, the contractor confirms a similar commitment in its own business practices.

Bank staff identifies suppliers for contracting opportunities by engaging local, regional and national groups and organizations through outreach activities and events targeted to diverse suppliers. The Bank also informs suppliers about the Bank's business practices and encourages their participation in contracting opportunities. These strategies, along with processes that evaluate and measure results, position the Bank to make progress toward achieving its supplier diversity objectives.

RESULTS: PROCUREMENT OPPORTUNITIES

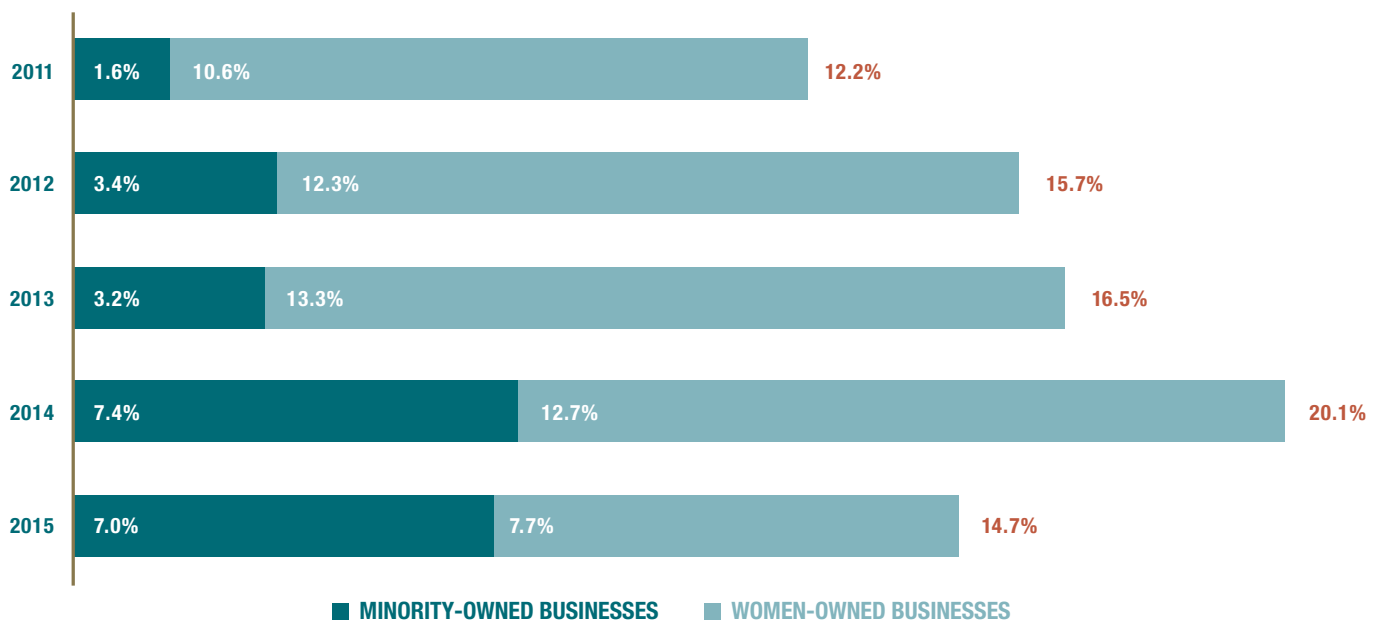
Since implementing its supplier diversity strategies in 2011, the Bank has made steady progress, increasing its percent of total reportable spend with diverse businesses. However in 2015, the Bank spent 14.7 percent of its total reportable spend with businesses owned by minorities and women, compared to 20.1 percent in 2014. The decrease in 2015 was driven primarily by a decline in spend with women-owned businesses due to reduced responsiveness and candidate submission success for one women-owned staffing agency, as well as completion of a major project engagement with a women-owned business.

The Bank received responses from 58.0 percent and 21.6 percent, respectively, of minority- and women-owned businesses included in competitive acquisitions and professional staffing agreements, for a total diverse supplier response rate of 26.7 percent.

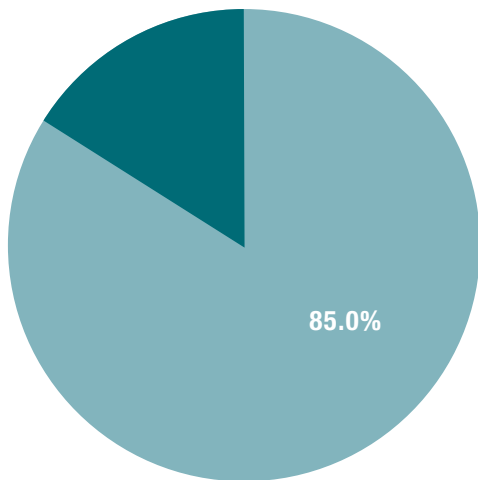
7.0%

In 2015, the Bank spent 7.0 percent of its total reportable spend with minority-owned businesses, a significant increase from 1.6 percent in 2011.

2011-2015 PERCENT OF SPEND WITH DIVERSE SUPPLIERS

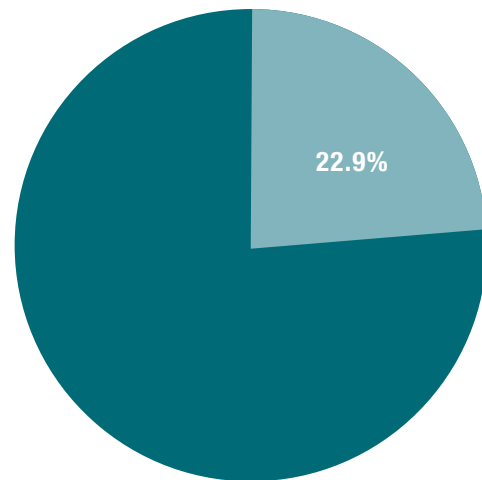


2015 DIVERSE SUPPLIER INCLUSION



The Bank identified and included diverse suppliers in 85.0 percent of all requests for proposals in 2015.

2015 CONTRACTS AWARDED TO DIVERSE SUPPLIERS



The Bank awarded 22.9 percent of all contracts to minority- and women-owned businesses in 2015.

26.7%

The Bank had a 26.7% response rate from diverse suppliers included in competitive acquisitions and professional staffing agreements during 2015.

RESULTS: INCREASING AWARENESS

The Bank partners with local, regional and national organizations that focus on minority- and women-owned business members. These partnerships help the Bank communicate business opportunities and build its network of diverse suppliers. Partner organizations include:

- Asian American Chamber of Commerce of Kansas City
- Greater Kansas City Chamber of Commerce
- Hispanic Chamber of Commerce of Greater Kansas City
- Heartland Black Chamber of Commerce
- Mid-America Gay & Lesbian Chamber of Commerce

- Mountain Plains Minority Supplier Development Council
- Midwest Women's Business Enterprise Council

In 2015, the Bank participated in 14 outreach events and activities that provided staff with opportunities to network and connect with diverse suppliers, learn more about supplier diversity best practices and support the efforts of the Bank's community partners. Additionally, the Bank hosted several meetings with diverse suppliers to learn more about their work and to inform those suppliers about the Bank's general business needs and how to navigate its procurement practices. The Bank's Employee Diversity Council also partnered with the Hispanic Chamber of Commerce of Greater Kansas City to host a Hispanic Business Fair at the Bank. During this event, Hispanic-owned businesses displayed and sold their products and services to Bank employees.

The Bank also collaborates with other Federal Reserve Banks to develop and promote initiatives that strengthen supplier diversity. In 2015, the Bank participated in two national supplier diversity conferences hosted by the Women's Business Enterprise National Council and the National Minority Supplier Development Council.

INTERNAL REPORTING AND ASSESSMENT

The Bank has established systematic processes to measure progress toward achieving its supplier diversity strategies. Senior management assesses the Bank's performance quarterly by reviewing supplier diversity results, including spend and contracts awarded to diverse suppliers; inclusion and response rates of diverse suppliers in contracting opportunities; cost savings associated with contracts awarded to diverse suppliers; and outreach events attended or hosted by the Bank. Additionally, senior leaders receive information biannually about spend with diverse

suppliers within each business area to enhance transparency around these performance metrics and encourage continued focus on supplier diversity.

CHALLENGES

While the Bank continues to see progress toward its supplier diversity objectives, several challenges remain. The Bank continues to face challenges in identifying qualified diverse suppliers for certain goods and services, such as proprietary software.



The Bank underscored the importance it places on women and entrepreneurship by partnering with the Central Exchange in October to host a launch event for the Midwest Women's Business Enterprise Council. The Council supports women-owned businesses in the Kansas City area.



Among the vendors at an Hispanic Heritage Fair hosted by the Bank was Leticia DeCaigny of Kansas City, Kan.

The Employee Diversity Council hosted a Hispanic Business Fair at the Bank during October, Hispanic Heritage Month. Carlos Gomez, president and chief executive officer of the Hispanic Chamber of Commerce of Greater Kansas City, visited with Bank Senior Vice Presidents Dawn Morhaus, second from right, and Donna Ward. Gomez spoke about Hispanic buying power in America.



The Bank also continues to be challenged with increasing the responsiveness of diverse suppliers to requests for proposals. The Bank regularly surveys suppliers who did not respond to a request for proposal to solicit feedback. Feedback indicates suppliers who often do not respond feel they do not have the resources to provide the requested goods or services during the time schedule required, or they have other resource constraints, such as scale.

Purchasing staff will continue to focus on providing technical assistance to help suppliers understand the best ways to engage with the Bank and encourage their participation in contracting opportunities.

LOOKING AHEAD

The Bank will deploy the following strategies in 2016 to enhance its supplier diversity and inclusion efforts:

- Continue to partner with business areas to understand upcoming needs earlier, thus heightening the Bank's ability to proactively seek and engage potential minority- and women-owned businesses for future contracting opportunities.
- Continue to connect qualified diverse suppliers with business areas that may have real-time needs for the goods or services they offer.
- Continue streamlining business practices to improve the Bank's ability to source qualified diverse suppliers through innovative tools and processes.



Among the Bank's efforts to work with diverse partners to foster community development was an employer/vendor information fair conducted as part of a National Society of Hispanic MBA professional development seminar in October at the Bank.

IN 2015, THE BANK DEVELOPED AND EXPANDED ON PARTNERSHIPS WITH SEVERAL COMMUNITY ORGANIZATIONS, PARTICIPATING IN THE FOLLOWING PROGRAMS AIMED AT REACHING DIVERSE SUPPLIERS:

- *Mountain Plains Minority Supplier Development Council (MPMSDC) Networking Events (three events)*
- *Metropolitan Community College and MPMSDC Minority- and Women-Owned Business Expo*
- *Women's Business Enterprise National Council Conference and Business Opportunity Fair*
- *The State of Black Kansas City Summit hosted by the Federal Reserve Bank of Kansas City*
- *Federal Reserve Bank of Richmond Supplier Diversity Summit*
- *MPMSDC Business Opportunity Exchange*
- *Federal Reserve Bank of Kansas City Hispanic Vendor Fair*
- *Midwest Women's Business Enterprise Council Community Announcement Breakfast*
- *National Minority Supplier Development Council Annual Conference*
- *Federal Reserve Bank of Kansas City Building Professional Networks Summit*
- *Kansas City Procurement Roundtable Spotlight on Diverse Suppliers*
- *Asian American Chamber of Commerce of Kansas City Member Expo*

Partnerships

OUTREACH AND FINANCIAL EDUCATION



Student Board of Directors Alumni and Summer @ the Fed activities directors Mylan Gray and Alina Crouch gained valuable experience at the Bank before heading off to Stanford University and Harvard University, respectively.

Strategies

In 2015, the Bank strengthened its long-standing commitment to providing financial education and mentorship opportunities to urban high schools and minority students across the seven-state region it serves.

Throughout the year, the Bank continued to partner with diverse school districts, youth organizations and community groups to reach thousands of students and teachers through innovative programs and resources. This investment in financial education will lead to stronger communities, stable neighborhoods and better opportunities for young people of diverse backgrounds.

RESULTS:

In each of the Bank's four offices, staff and additional resources are dedicated to providing economic education to students at urban school districts in Kansas City, Denver, Omaha and Oklahoma City.



In its fourth year, Summer @ the Fed provided opportunities for interns to lead and coordinate financial education activities for more than 900 urban youth.

Pam Lueth was one of many Bank employees who visited classrooms in April as part of Teach Children to Save.

3,698

Teach Children to Save: In April 2015, Bank volunteers visited 174 classrooms throughout the Kansas City metro area to share financial education lessons with 3,698 elementary-age students at urban schools. In total, the Bank reached 9,186 students throughout the Kansas City area with the program.

2,163

During the year, 2,163 urban high school students participated in a financial education program developed and organized by the Bank. This is a 47 percent increase from 2014.





Kansas City Fed Senior Vice President Karen Pennell, third from left, watches as participants and mentors from the Girls in Technology program practice writing computer code during the program's kickoff event in December at the Bank.

GIRLS IN TECH

Girls in Technology, an initiative of the KC STEM Alliance aimed at exposing middle- and high-school aged girls to computer science education programs, held its kickoff event at the Bank in December 2015.

More than 200 people representing 86 businesses and organizations attended the Girls in Technology event. The evening included time for networking and the Hour of Code, an activity designed to help youth practice their website-building skills with assistance from mentors. Eight Bank employees served as mentors to the 42 participants, which included students from the Blue Springs and Independence school districts in Missouri.

Kansas City Mayor Sly James attended the event and read a proclamation officially naming Dec. 7 Girls in Tech Day in Kansas City. The program also included remarks from Senior Vice President Karen Pennell, Information Technology, and representatives from the KC STEM Alliance, Cerner Corp., KCnext, the Independence School District and KC Women in Technology.

"In an era where new technologies are responsible for life-altering advancements in every field from medicine to entertainment, women are not well represented in computing professions," said Margery Sendze of the Bank's Information Technology Division, who helped coordinate and lead the event. "The Girls in Technology KC movement addresses an increasing demand for a qualified and diverse workforce to fill tech jobs in the Kansas City region."

"It was amazing to see a bunch of girls and how they are interested in tech," said fourth-grader Riley Martin, a participant in the event. "It made me glad to see that there were others out there like me."

STUDENT BOARD OF DIRECTORS

In 2015, the Bank continued the success of its Student Board of Directors program, which has provided mentoring and college and career development for students from urban high schools across the Tenth District since 2012.

During the 2014-15 school year, 67 students across the District participated in the program, including the first class from the Albuquerque Public School District. Throughout the year, the students have an opportunity to meet with Bank employees and business leaders from the community on topics such as: career and college preparation, personal finance, public speaking and business etiquette.

Participation in the program exposes students to a corporate environment and builds self-confidence. “I learned the importance of not simply having drive and ambition, but also taking action when I want or need something,” said Alina Crouch, a participant in the 2014-15 Student Board in Kansas City.

“The Student Board of Directors program has been a splash into a world of financial matters, leadership, entrepreneurial concepts and opportunity,” added Melissa McNearney, another participant in Kansas City.

In addition to the immediate benefits students get from participating in the program, the Student Board of Directors also opens relationships with the Federal Reserve Bank of Kansas City that can pay off long term. Paula Odu, who is an alumnae of the program from 2012-13, was hired for a paid summer internship at the Bank in 2015 and participants are selected to help lead the Bank’s Summer @ the Fed program each year.

“Student Board members are not required to have an interest in banking or economics to be in the program,” said program coordinator Trudie Hall. “But it is inspiring when they develop a relationship with the Fed and want to come back.”



Members of the Oklahoma City Branch Student Board of Directors gained valuable hands-on financial knowledge. To view a roster of student directors, visit <https://www.kansascityfed.org/education/foreducators/student-board>.

During the summer of 2015, seven college-bound students from the Kansas City, Mo., and Kansas City, Kan., school districts who participated as members of the Bank's Student Board of Directors continued their involvement with the Kansas City Fed as paid interns, earning a market-rate wage as activities directors with the Summer @ the Fed program.

Through the program, which marked its fourth year in 2015, the students learned more about financial literacy and used economic education curriculum to mentor more than 936 young people involved in summer programs at 28 different community organizations in the Kansas City area, such as the Boys and Girls Club of Greater Kansas City, Kansas City Parks and Recreation, KidZone and The Upper Room.

In addition to their mentorship role, the interns gained valuable experience working in a corporate environment at the Bank, completing small projects and participating in workshops led by Bank staff on college and career planning, business communication and other topics.

In addition to the summer activities director, one college student from the 2013-15 Student Board program served as the assistant program director for Summer @ the Fed. In addition to helping coordinate the program, the assistant program director completed a significant project by working with the Bank's Public Affairs staff to develop a marketing brochure for the program.

As a special activity in 2015, the Summer @ the Fed staff participated in a personal "fascination" analysis designed to give them a sense of how they might be perceived in a professional environment. The staff also met with the Kauffman Foundation to explore entrepreneurship topics and participated in the Black Achievers Recognition program, which showcased leaders and leadership qualities.



Members of the Bank's Kansas City Student Board of Directors who served as paid interns in the Summer @ the Fed program, from left: Mylan Gray, Rayfield Lawrence, Kylah Owens, Queen Wilkes, Koya Couch, Alina Crouch and Daniel Reyes; Kenji Walker, center, who was in her second year in the program, was assistant program director.

INNOVATIVE PROGRAMS

Following are highlights of the Bank's financial education resources that were developed and expanded in 2015:

Denver Public Schools Resource Kits

Bank staff created a resource kit for every elementary school in Denver Public Schools that included financial literacy resources in both English and Spanish. Bank staff also conducted training with classroom teachers to explain their use and share best practices.

KCMO Public Schools Partnership Breakfast

The Bank partnered with the Kansas City, Mo., school district to host a community breakfast to highlight community support for the school district. As part of the event at the Bank's headquarters in Kansas City, the school district's superintendent provided an update on the state of the schools.

Omaha Urban Agriculture Academy

By pairing expertise in the agricultural economy with broader economic education programming, staff at the Bank's Omaha Branch supported Omaha Bryan High School's Urban Agriculture Academy. Through this program, students use knowledge of both urban and traditional agriculture to pursue innovations in the field and become positive members of the community.

Federal Reserve Financial Education Day

Each Tenth District office sponsored a program with a majority-minority high school or youth program on Oct. 21 for Federal Reserve Financial Education Day. The annual program focuses on college and career readiness with diverse high school students, and incorporated financial capability fundamentals along with the concepts of educational attainment.

At the Bank's Financial Education Day, high school students such as Itzel Vaca participated in programs designed to expose young people to financial concepts as well as college and career preparation.



Students from Hogan Preparatory Academy in Kansas City, Mo., participate in a financial education activity led by a Bank volunteer in April 2015.

Community Partnerships

Along with its programs aimed at students at urban and diverse schools, the Kansas City Fed partners with a number of community organizations to provide financial information and resources for underserved communities.

EVENT	DATE	LOCATION	ATTENDANCE
Biz Fest	Feb. 12	Kansas City	135
New Mexico Tribal Coalition	May 5	Denver	50
Black Male Achievement Conference	June 19	Omaha	200
100 Black Men of Kansas City	July 20	Kansas City	118
National Council of La Raza 2015 Conference	July 11-13	Kansas City	5,000
Black Male Summit—Striving for Success	Sept. 15	Omaha	225
Entrepreneurship in African American Communities Roundtable	Sept. 30	Wichita, Kan.	30



Bank Vice President Tammy Edwards, center, is pictured with Joelle Boos-Medina, vice president of commercial lending (right), and Kristy Miller, assistant branch manager, both of San Luis Valley Federal Bank, at the Bank's Women in Banking event in Denver. The daylong program provided opportunities for networking and professional development for women bankers in the Denver area.



As part of their participation in the Omaha Branch's Student Board of Directors, students toured the Gavilon Group LLC, a commodity management firm in Omaha. To view a roster of student directors, visit <https://www.kansascityfed.org/education/foreducators/student-board>.

CHALLENGES

The Bank continues to face challenges related to its financial education efforts, including the following:

- Public school districts are stretched by budget challenges that will limit the Bank's ability to reach students and teachers through traditional avenues. Educators are also expected to be challenged by limited time and resources that will affect their ability to participate in professional development opportunities the Bank provides.
- Many classrooms will continue to face challenges regarding the amount of time available for economic and financial education activities. The Bank continues to seek ways to incorporate economic education concepts into existing curricular areas, such as math and reading.
- Increasing focus on standards-based teaching requirements in many school districts prevents teachers from exploring financial and economic concepts with their students in the classroom.

LOOKING AHEAD

The Bank plans to expand and improve its economic education efforts in a number of ways in 2016:

- Provide additional opportunities for the Bank's Student Boards of Directors to expand their personal finance knowledge, career and college preparation activities and networking opportunities with peers and Bank mentors.
- Continue to include culturally relevant anecdotes and examples throughout the Bank's educational resources to ensure maximum effectiveness.
- Strengthen and grow partnerships with urban and diverse schools and community organizations that work with underserved populations. To that end, the Bank plans to build on its initial Women in Banking event in Denver.
- Develop additional interactive activities and new resources to make financial concepts relatable for all audiences.

Female Representation

JOB CATEGORIES	WHITE		BLACK OR AFRICAN AMERICAN		HISPANIC OR LATINO	
	Number	Percent	Number	Percent	Number	Percent
Executive / Sr. Officials & Managers	7	87.5	-	-	1	12.5
First / Mid Officials & Managers	101	89.4	7	6.2	2	1.8
Professionals ¹	295	79.3	29	7.8	13	3.5
Technicians	27	71.1	8	21.1	2	5.3
Sales Workers	2	50.0	1	25.0	1	25.0
Administrative Support	100	69.0	24	16.6	14	9.7
Craft Workers	-	-	-	-	-	-
Service Workers	5	55.6	3	33.3	-	-
TOTAL	537	77.9%	72	10.4%	33	4.8%

Male Representation

JOB CATEGORIES	WHITE		BLACK OR AFRICAN AMERICAN		HISPANIC OR LATINO	
	Number	Percent	Number	Percent	Number	Percent
Executive / Sr. Officials & Managers	3	75.0	-	-	1	25.0
First / Mid Officials & Managers	124	89.9	7	5.1	4	2.9
Professionals ¹	390	82.8	23	4.9	13	2.8
Technicians	73	80.2	11	12.1	4	4.4
Sales Workers	2	100.0	-	-	-	-
Administrative Support	28	73.7	3	7.9	2	5.3
Craft Workers	34	91.9	1	2.7	1	2.7
Service Workers	62	71.3	13	14.9	7	8.0
TOTAL	716	82.5%	58	6.7%	32	3.7%
GRAND TOTAL	1,253	80.5%	130	8.3%	65	4.2%

¹Professionals include analysts, economists, examiners and IT professionals

NATIVE HAWAIIAN OR PACIFIC ISLANDER		ASIAN		AMERICAN INDIAN OR ALASKAN NATIVE		TWO OR MORE RACES		OVERALL TOTALS	
<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
-	-	-	-	-	-	-	-	8	100.0
-	-	2	1.8	-	-	1	0.9	113	100.0
2	0.5	26	7.0	-	-	7	1.9	372	100.0
-	-	1	2.6	-	-	-	-	38	100.0
-	-	-	-	-	-	-	-	4	100.0
1	0.7	4	2.8	1	0.7	1	0.7	145	100.0
-	-	-	-	-	-	-	-	0	0.0
-	-	1	11.1	-	-	-	-	9	100.0
3	0.4%	34	4.9%	1	0.1%	9	1.3%	689	100.0%

NATIVE HAWAIIAN OR PACIFIC ISLANDER		ASIAN		AMERICAN INDIAN OR ALASKAN NATIVE		TWO OR MORE RACES		OVERALL TOTALS	
<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
-	-	-	-	-	-	-	-	4	100.0
-	-	1	0.7	1	0.7	1	0.7	138	100.0
-	-	36	7.6	3	0.6	6	1.3	471	100.0
-	-	2	2.2	-	-	1	1.1	91	100.0
-	-	-	-	-	-	-	-	2	100.0
-	-	4	10.5	-	-	1	2.6	38	100.0
-	-	1	2.7	-	-	-	-	37	100.0
1	1.1	4	4.6	-	-	-	-	87	100.0
1	0.1%	48	5.5%	4	0.5%	9	1.0%	868	100.0%
4	0.3%	82	5.3%	5	0.3%	18	1.2%	1,557	100.0%

Notes: Numbers may not add due to rounding. Information reflects EEO-1 data as defined by the Equal Employment Opportunity Commission (EEOC). The data are as of Aug. 31, 2015, in order to match our submitted annual EEO-1 report to the EEOC. The report is primarily based on employee self-identification. Per EEOC guidance, if race or ethnic information is not self-reported, observer identification may be used.

2015 MINORITY WORKFORCE REPRESENTATION (%) KANSAS CITY OFFICE



2015 FEMALE WORKFORCE REPRESENTATION (%) KANSAS CITY OFFICE



¹Kansas City Metropolitan Statistical Area (MSA) is based on 2014 federal statistics provided by the EEOC

²Professionals include analysts, economists, examiners and IT professionals

³Sales workers and craft workers represent a small number of the total workforce

Notes: Numbers may not add due to rounding. Information reflects EEO-1 data as defined by the Equal Employment Opportunity Commission (EEOC). The data are as of Aug. 31, 2015, in order to match our submitted annual EEO-1 Report to the EEOC. The report is primarily based on employee self-identification. Per EEOC guidance, if race or ethnic information is not self-reported, observer identification may be used.

CORE METRICS

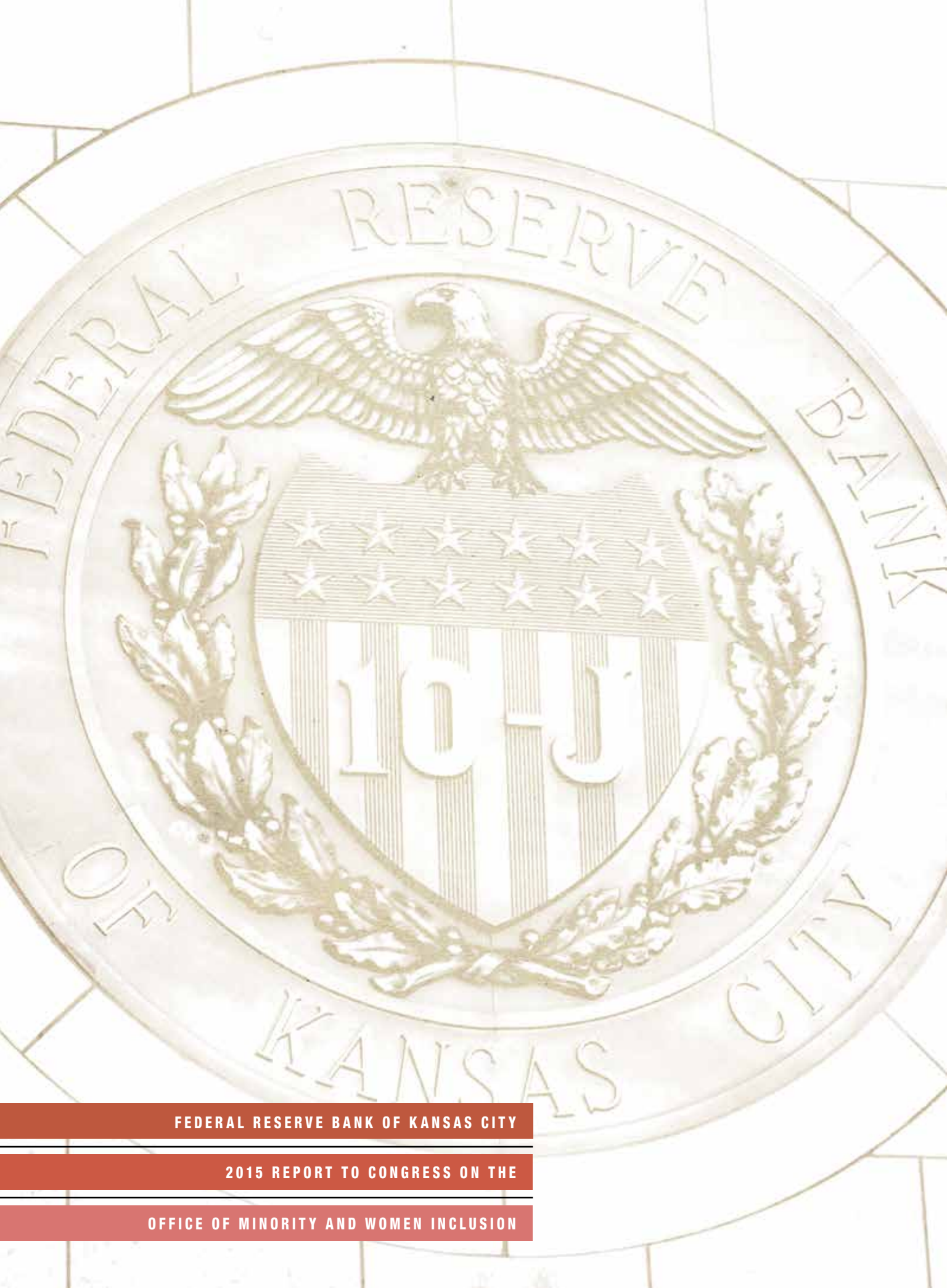
BANK	TOPICS	MEASURES	METRICS
1.	MANAGEMENT REPRESENTATION	TOP 2 EEO-1 CATEGORIES – SR. EXECs & MID-LVL MGRS	263
		% WOMEN	46%
		% MINORITIES	10.6%
2.	HIRING STATISTICS	TOTAL EXTERNAL HIRES	319
		% WOMEN	38.6%
		% MINORITIES	32.3%
3.	INTERNS	TOTAL INTERNS	34
		% WOMEN	38.2%
		% MINORITIES	23.5%
4.	M/WBE EXPENDITURES	TOTAL SPEND (IN MILLIONS)	\$47.7M
		% WBE	7.7%
		% MBE	7.0%
5.	FINANCIAL EDUCATION	# OF EVENTS	135
		# OF STUDENTS ATTENDED	18,503
		# OF EDUCATORS ATTENDED	8,551
		# OF STUDENTS REACHED	641,325

SPEND WITH CONTRACTORS AND SUPPLIERS

	2015 AMOUNT	2015 PERCENT	2014 AMOUNT	2014 PERCENT	2013 AMOUNT	2013 PERCENT	2012 AMOUNT	2012 PERCENT	2011 AMOUNT	2011 PERCENT
TOTAL REPORTABLE SPEND ¹	\$47.7 MILLION	100.0%	\$42.8 MILLION	100.0%	\$42.9 MILLION	100.0%	\$45.6 MILLION	100.0%	\$37.5 MILLION	100.0%
MINORITY-OWNED BUSINESSES ²	\$3.3 MILLION	7.0%	\$3.2 MILLION	7.4%	\$1.4 MILLION	3.2%	\$1.6 MILLION	3.4%	\$0.6 MILLION	1.6%
WOMEN-OWNED BUSINESSES ²	\$3.7 MILLION	7.7%	\$5.4 MILLION	12.7%	\$5.7 MILLION	13.3%	\$5.6 MILLION	12.3%	\$4.0 MILLION	10.6%
TOTAL MINORITY-OWNED AND WOMEN-OWNED SPEND	\$7.0 MILLION	14.7%	\$8.6 MILLION	20.1%	\$7.1 MILLION	16.5%	\$7.2 MILLION	15.7%	\$4.6 MILLION	12.2%

¹Reportable spend includes all vendor payments except those made for/to association memberships, dues and fees; international banks; intercompany/inter-Fed transfers; government payments; payment network fees; rent; and utilities.

²Minority women-owned business spend is captured in spend for minority-owned businesses and is not double-counted in the women-owned business category.



FEDERAL RESERVE BANK OF KANSAS CITY

2015 REPORT TO CONGRESS ON THE

OFFICE OF MINORITY AND WOMEN INCLUSION



Spring 2016

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The Federal Reserve System

Congress created the Federal Reserve in 1913 to bring financial stability after a number of banking panics. It is the nation's third central bank. The first, established in 1791, and the second, created in 1816, were each operational for 20 years. In both cases, its charter failed to be renewed and the banks closed.

With the Federal Reserve Act, Congress sought to create a central bank the public would be more likely to support by making it "decentralized" with more local control. This new structure was designed to overcome one of the primary weaknesses of the previous central banks: public distrust of an institution that many felt could potentially be under the control of either government or special interests. The new central bank is a network of 12 regional Federal Reserve Banks, located throughout the country and under the leadership of local boards of directors, with oversight from the Board of Governors in Washington, D.C., a government agency.

The Federal Reserve is considered to be independent within government and broadly insulated from political pressures. While members of the Board of Governors are nominated by the president of the United States and confirmed by the Senate, the Federal Reserve's regional structure, including local boards of directors and advisory councils, ensures that views from a broad spectrum of the public nationwide contribute to the central bank's deliberations.

President Woodrow Wilson signed the Federal Reserve Act on Dec. 23, 1913, and the 12 regional Federal Reserve Banks opened on Nov. 16, 1914.

The Federal Reserve Bank of Kansas City

The Federal Reserve Bank of Kansas City and its Branches in Denver, Oklahoma City and Omaha serve the Tenth Federal Reserve District, which encompasses Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming. As a part of the Federal Reserve System, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing other services to depository institutions.



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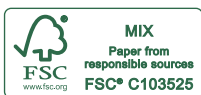
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2015 financial report

The Federal Reserve Bank of Kansas City's 2015 audited financial report is at KansasCityFed.org. Past financial reports, and officers, directors and advisory councils listings, also are online.