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FEDERAL RESERVE BANK OF KANSAS CITY

Spring 2012

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ANNUAL REPORT ISSUE



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The U.S. Economy and Monetary Policy in 2012

After nearly 30 years of experience with the Federal Reserve, I have seen firsthand the realities of our economy from working with financial institutions across the country and from working through various crises that have significantly affected you and me.

These are challenging and uncertain times. The economy continues to recover, but the pace of the recovery has been slow, and threats to the recovery loom large. Against this backdrop, monetary policymakers find themselves in uncharted waters as they search for solutions to today's considerable challenges and weigh the potential costs and benefits of future actions. Achieving a balanced and sustained recovery will require difficult, but necessary, adjustments.

Crisis and recession

To understand the current state of our economy, it is useful to look back. The financial crisis did not suddenly materialize. Its roots grew over time, in seemingly benign spurts, as consumers, financial institutions and much of the economy took on unsustainable amounts of debt.

Debt increases related to housing were especially pronounced. Across the economy, mortgage debt rose from 60 percent of disposable personal income in 1997 to 100 percent immediately prior to the recession. As always, the rapid rise in leverage spawned asset price increases and those famous "animal spirits" took hold. As home prices rose, home building surged, credit standards for mortgages eased, leverage increased further and financial markets became highly exposed to housing finance instruments.

Leverage, however, encompassed more than housing. It was rising throughout the financial system. Across all financial businesses, debt almost doubled between 1997 and 2007, from 60 percent of gross domestic product to nearly 120 percent.

With high levels of debt and leverage, the economy was highly susceptible to a reversal in the housing sector. The result was a severe recession and financial crisis.

A slow recovery

Today, the economy is two-and-a-half years into a recovery that, on the whole, has been uneven and underwhelming. With moderate economic growth have come modest job growth and a too-high unemployment rate, in addition to lingering doubts about whether the recovery is sustainable.

Part of the uneven, sluggish pace of the recovery can be attributed to temporary factors. For example, in the spring of last year, the economy took a step back in reaction to higher oil prices related to events in the Middle East and North Africa and supply chain disruptions in the auto sector from the earthquake and tsunami in Japan. As these events began to fade, the second half of the year brought us concerns over European sovereign debt and acrimonious debates about our own fiscal problems. Given all of these events, I take some solace in the resilient nature of the economy and its ability to sustain an even modest pace of growth.

Temporary factors, however, explain only part of the slow recovery. A considerable drag on the recovery remains the consequence of the buildup in leverage leading to the financial crisis.

No place is this drag more acute than the housing market. The economy continues to deal with the clean-up from the housing collapse. Recently, the housing market has shown some signs of stabilization, but activity remains very weak.



With the collapse in the housing market, households soon realized they were carrying too much mortgage debt, leaving no choice but to begin the painful process of deleveraging through paying down debt or through default. The home equity extraction that had supported consumer spending before the recession no longer could play that role in the recovery.

The health of the financial sector is particularly important now. The financial sector is the heart of the circulatory system of the economy, pumping capital from savers to borrowers who use the funds to direct resources to where they are needed most. A less-than-healthy financial sector limits the strength of the recovery. Although U.S. banks have been reporting increasing net income

Monetary policy challenges

Given the state of the economy and the risks on the horizon, it is clear that monetary policymakers face considerable challenges. This is especially so given the degree to which the Federal Open Market Committee's (FOMC) normal policy tools have been used during and following the crisis.

The FOMC has maintained the federal funds rate at a range of zero to one-quarter percent and taken other actions affecting the size and composition of the Federal Reserve's balance sheet. These actions were taken first to staunch the crisis and later to encourage and sustain the economic recovery. Now the question is, "What next?"

Traditional monetary policy tools have been

“ Given the state of the economy and the risks on the horizon, it is clear that monetary policymakers face considerable challenges. ”

since 2009, this improvement mostly is related to the fact that banks are putting away less money in anticipation of fewer problem loans. Given current economic conditions worldwide and domestic real estate problems, this is a bold step.

Problem loans remain at historically high levels and include commercial real estate as well as residential real estate loans. Complicating this picture has been the absence of an effective process for dealing with the large number of foreclosed properties that continue to depress prices and hold back bank performance.

Unfortunately, there are no quick or simple solutions to these problems. As is historically common in the aftermath of a financial crisis, the recovery takes time, and while there is some progress, it is frustratingly slow. All of this suggests a moderate recovery remains the most likely outlook, depending on developments in Europe and Asia's economies, as well as U.S. fiscal policies that have yet to be defined.

exhausted, and unconventional tools are now in play. As policymakers consider additional options and possible actions, it is necessary to appropriately weigh their costs and benefits.

Mispriced risk

Over the past three decades with the Federal Reserve, I have had occasion to observe a number of business cycles in which an expanding economy led to mispriced risk and over-investment. Unfortunately, these events are generally recognized only in hindsight, and usually after some gain exceptional advantage while many more suffer irreparable loss.

As a bank examiner during the 1980s, I supervised banks in this region as they felt the full brunt of that decade's crisis. Banks failed by the hundreds as a boom in agriculture, energy and real estate came to a devastating end. With the benefit of hindsight, it was clear that investors

and bankers had mispriced the riskiness of assets in those sectors, and it took years for the region to recover.

Here we are again. This time, it was the national housing market. With the collapse, the economy faces a weak housing market, high unemployment and impaired bank balance sheets leading to a financial sector that is shrinking in size and activity due to a combination of weak loan demand, tighter lending standards and a need to rebuild capital.

Policy choices that attempt to speed improvement in the housing and labor markets can be attractive given these circumstances. But this desire must be traded off against the need to foster long-term stability within our financial sector.

Some bankers with strong balance sheets tell me they must react to the current environment by taking on more risk. Although appropriate risk-taking is fundamental to banking and desirable in this environment, creating conditions that encourage taking on mispriced risk could lead to distortions that will only haunt us later.

Preventing the mispricing of risk as it occurs is a tremendous challenge. Losses are few during good times, which can make adverse events seem unlikely and their risk difficult to estimate.

Indeed, bank supervisors may see the risks forming but have difficulty conveying a sense of urgency to those risks. My experience with commercial real estate concentrations in the early 2000s highlights this challenge. As supervisors saw growing concentrations in these loans and drafted rules to limit the exposure, industry and congressional backlash delayed action. The hard reality confronts us today as a significant number of the 414 bank failures since 2007 were due to excessive concentrations in commercial real estate.

Today, in our own Midwestern backyard, farmland values are soaring to unprecedented levels. I hear from many well-informed, concerned people across our region wondering whether this

could be a bubble. Only time will tell; however, these types of events have played out in the past, and the results were not kind to the industry involved or its banks.

A fine line

So, it is within this context that I approach my role in monetary policy and contemplate the path ahead. I view monetary policy as attempting to walk a fine line. Today's policy settings are designed to encourage risk-taking and to stimulate much-needed growth across our economy, but experience has shown that pushing risk-taking too far can cause the mispricing of risk, the misallocation of capital and the ultimate weakening of financial firms' balance sheets.

Our policy tools must be managed as complements. Macroeconomic and financial stability are too interconnected to separate cleanly. Monetary policy and supervision must work in tandem if we hope to achieve maximum employment and price stability—the goals given to us in the Federal Reserve Act. It is, in fact, a very delicate balance.



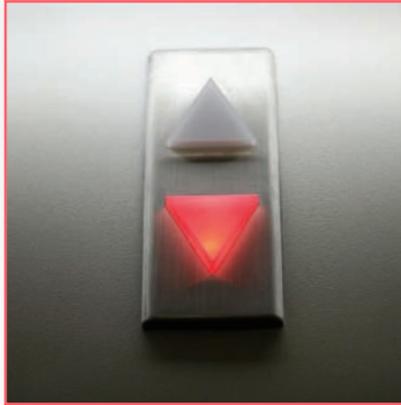
**ESTHER L. GEORGE, PRESIDENT
FEDERAL RESERVE BANK OF KANSAS CITY**

President George addressed The Central Exchange in Kansas City, Mo., earlier this year. To read the full speech, and others, visit KansasCityFed.org.

Going Down

Public sector sheds jobs in slow recovery





Teresa Evans sighed with relief as October 2009 came and went. Her employer, the city of Overland Park, Kan., issued an earlier email, warning employees of pending layoffs that month. When nothing happened, she thought maybe everything was fine.

“Then they said it will happen after the first of the year,” she said. “Everyone was on pins and needles for weeks.”

The thought of losing her job weighed on Evans, but nothing happened when the calendar turned over to 2010. She decided that her job was secure.

“I was in a specialized field, and our unit was supported through annual fees the city collected,” she said.

Evans had worked 10 years as a certified elevator inspector for the city. The position was a logical transition from her previous one as a codes inspector for Kansas City, Mo. She enjoyed her job that required annual recertification and continuous training. Overland Park paid her well for her expertise and experience.

“I worked three days a week as an inspector and also as a scheduler for our unit,” she said.

Commercial growth provided Evans with steady work. Overland Park attracted many stable and growing firms, including corporate giants Sprint Nextel, YRC Worldwide and

Black & Veatch, and high-rises and office complexes dotted the city’s 75-square-mile skyline by the mid-2000s.

Overland Park required elevator inspections every six months. Sometimes Evans worked all day on a multistoried building; other days she worked at three or four smaller ones. As she drove to an inspection the morning of Jan. 28, she received a call from her supervisor. The inspection was cancelled.

“Did the customer cancel the inspection?” she asked him. The city cancelled it, he replied, and she needed to return immediately.

“I knew what was going to happen,” she said.

Overland Park enjoyed tremendous growth for more than two decades on the south side of the Kansas City metropolitan area. Although major urban cities in the Tenth Federal Reserve District—such as Denver, Oklahoma City and Omaha—grew during the commercial and housing boom, some outlying suburban cities went from sleepy bedroom communities to Forbes’ and Money Magazine’s lists of best places to work and live in the United States.

Overland Park grew by almost 50 percent since 1990, and its population reached 164,800 in 2006.

“Our peak growth was actually in 2000,” Overland Park City Manager Bill Abel said.

Although growth slowed slightly from

2001 to 2007—developers submitted fewer plans and housing permits declined—the change was not enough to alarm anyone. Then the housing market bubble burst. Although the city grew to a population of 173,372 in 2010, it issued only 114 housing permits that year, a vast change from the hundreds of permits it issued annually the years before. And for the first time in four decades, Overland Park and other local governments watched tax revenue streams decrease as sales on goods and services declined and property values plummeted.

The decrease in revenue prompted many local governments to reevaluate services and tighten budgets, including workforce reductions. And some governments increased taxes.

Federal, state and local governments have shed more than 500,000 positions nationwide since the start of the labor market crash in 2009, according to the U.S. Labor Department.

Although nationwide unemployment dropped to 8.5 percent by the end of 2011 and more than 1.8 million jobs were added to the U.S. labor market last year, those jobs were in the private sector. And it appears most local governments will not grow their workforces anytime soon.

In her research, “What is the Outlook

for Local Government Revenues in the Tenth District?” Kansas City Fed Economist Alison Felix said the recession affected local government revenues worse than previous recessions due to heavy reliance on property taxes and state transfers.

“Although inflation-adjusted local government revenues fell more during the recent recession than at any other time over the past four decades, they still dramatically outperformed inflation-adjusted state government revenues during the first couple of years of the recession,” Felix said.

It took time for the recession to reach local governments—fiscal budget cycles prevented states from passing along cuts to local governments sooner and most reassessments on home values either occur once a year or once every two years for states.

“Over the next couple of years, however, local government revenues may lag behind the overall economy and the recovery in state government revenues,” Felix said.

In 2009, total local government tax revenues increased 5.9 percent compared to 2008. By 2010, local governments—counties, cities, townships and school districts—experienced a 1.1 percent decline in total revenue that year.

Jobs Lost in the Public Sector

0
Jobs Lost
June 30, 2008

464,000
Jobs Lost
June 30, 2011

800,000
Projected
Jobs Lost
June 2012

And in the first three quarters of 2011, total revenues increased only 0.9 percent.

Although local government revenue growth slowed or declined in some areas, the declines in most cases were small compared to the drop in home prices, Felix said.

After a 9.4 percent increase from 2008 to 2009, local property tax revenues declined: 1 percent in 2010 and 0.3 percent in the first three quarters of 2011.

Home prices in the United States, however, fell 17.5 percent over the last five years.

“Changes in home prices have varied dramatically across the states, ranging from a 58.1-percent decline in Nevada to a 17.5-percent increase in North Dakota over the past five years,” Felix said.

In the Tenth Federal Reserve District, which comprises Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming, home prices ranged from a 12.3-percent decline over the past five years in New Mexico to a 4.1-percent increase in Wyoming.

“As local governments reassess home values to reflect those price changes, property tax collection may fall sharply in some localities,” Felix said.

One reason local government coffers have remained healthier than home prices, however, is government’s ability to change tax rates.

Fairfax County, Va., reduced property tax rates five consecutive years between fiscal years 2002 and 2007 as property valuations increased. Even with rate reductions, Felix said, the county’s property tax revenues increased due to higher property valuations. The opposite occurred after a decline in home values, forcing Fairfax County to raise tax rates to shore up losses.

Felix said Tenth District local governments’ financial futures are “somewhat brighter than the rest of the nation.” But positive revenue growth will take time to materialize, and some local governments, such as Omaha, Neb.; Fairway, Kan.; and the Unified Government of Wyandotte County, Kan., already have raised property tax rates due to declining home values

and revenue loss.

Olathe, which is next door to Overland Park, avoided raising property taxes to make up budget shortfalls. Olathe grew faster than any large city in Kansas during the state’s economic boom that began in the mid-1990s. From 2000 to 2010, the U.S. Census reported that Olathe’s population grew by 35 percent, 92,962 to 125,872. Add that growth to the previous decade, and Olathe grew by almost 60 percent.

Olathe, like Overland Park, is an anomaly in Kansas’ local government tax structure—it relies on sales taxes for a majority of its revenue. Sales taxes support about 47.7 percent of Olathe’s general budget with 17.3 percent coming from property taxes. Franchise fees and other ancillary fees generate the remainder of the revenue.

At the turn of the century, Olathe experienced an influx of commercial growth, which complemented the residential growth of about 4,400 new residents a year. By 2006, the city saw signs of a slowdown, but growth almost ceased by the end of 2008. Instead of raising taxes, the city made a number of sustainable cost-cutting measures, which included reducing its workforce 20 percent by 2010.

“The recession forced governments to streamline and focus on what are core services and what are not core services,” said Tim Danneberg, communications director for Olathe.

Olathe City Council members reduced the city’s workforce through layoffs and attrition, mainly in areas that dealt with development and growth, as part of its budget reduction measures. Those long-term reductions are now paying off, Danneberg said, and residents, through the city’s annual survey, DirectionFinder, have given the city a 90-percent overall approval rating in each of the last three years.

Mayor Michael Copeland announced during his State of the City address in January that Olathe will see positive revenue growth in 2012 for the first time since 2009. And although Olathe continues to grow in population, the city remains cautiously optimistic about the

recovery, Danneberg said, and it slated only one new position in the 2012 budget.

“We will probably stay at the same staffing levels for some time,” he said.

Olathe’s story is not uncommon—practically no local government came out of the recession unscathed.

In 2007, Thornton, Colo., was the fastest growing city in the state. The suburban city, 10 miles northeast of Denver, attracted new residents with affordable housing, good schools, cohesive municipal services and diverse retail.

The suburban city gained 8,412 people from 2006 to 2007, for a total population of 110,880. Thornton ranked No. 26 for population growth in the United States among incorporated places of more than 100,000 residents. Then the “bottom fell out” in 2008.

“Growth pretty much came to a halt,” said Todd Barnes, communications manager for Thornton.

Some of the most reputable home builders in the greater Denver area suspended large residential projects. Some builders abandoned projects altogether, selling completed homes and vacating platted lots, leaving behind incomplete subdivisions, Barnes said.

The city, which supports most of its general budget with sales tax revenue, 75 percent, and about 15 percent from property taxes, relied on cash reserves amassed during its growth to stave off the sudden drop in revenue. Unlike other cities its size, the City Council and staff were able to avoid employee layoffs or unpaid furloughs.

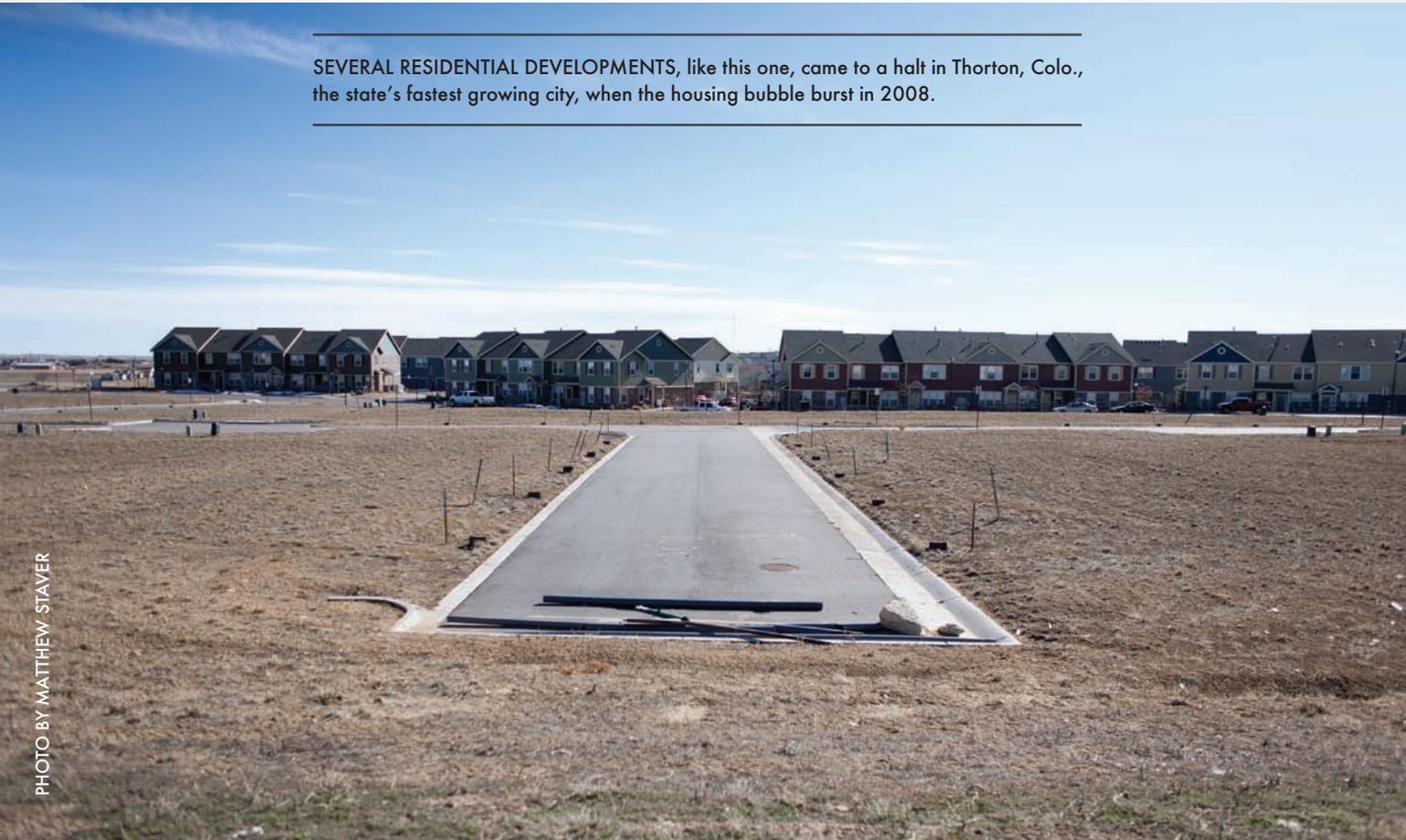
“We’re pretty proud of it,” Barnes said.

The city also expanded its economic development department to help attract nonretail commercial development—the type of businesses that create sustainable jobs—as part of a new stability strategy. The city, however, is not adding new costs, expanding services and hiring new employees as in the past, Barnes said.

New developers have taken over some of the unfinished residential projects, adding to the city’s growth. The U.S. Census reported Thornton’s population at 118,772 in 2010, and the city estimated the population at about 120,000 at the end of 2011, Barnes said. Tax revenue projections also show modest increases in 2012. The growth, however, is small compared to figures before the recession.

“This is the new normal,” Barnes said. “I

SEVERAL RESIDENTIAL DEVELOPMENTS, like this one, came to a halt in Thornton, Colo., the state’s fastest growing city, when the housing bubble burst in 2008.



think it will be a very long time before we see growth like that again.”

Overland Park had more than \$60 million in cash reserves when the recession began and could have weathered the slow economic recovery like Thornton.

“But we had to use much of our reserves to pay the state,” Ebel said.

Kansas enacted the Kansas Sales and Compensating Use Tax in 2003, which provided a new revenue stream for the state and local governments. Overland Park benefited from the changes in 2003 and 2004, but by 2006, the city experienced the drawbacks of the act—refund policies. As fiscal year 2008 unfolded, Overland Park began to pay millions of dollars in tax refunds to the state, using more than \$28 million of its reserves by 2010 in the process.

“It incredibly compounded our situation and made it difficult to stabilize our budget,” Ebel said.

More than 60 percent of Overland Park’s general budget relied on sales tax revenue, with a small percentage coming from property taxes. With the drop in sales on goods and services and a sharp decline in residential development in 2008 and commercial development in 2010, the City Council made several tough decisions to stabilize the budget, Ebel said.

Council members approved a 4 mill increase in its property tax rate to make up a \$10 million annual deficit because it could not rely on its cash reserves. Even with the increase—property taxes now make up 18 percent of the city’s budget—Overland Park still has the lowest property tax mill rate in the state. The increased mill rate also allowed the city to diversify and stabilize its tax revenue stream so it could weather future economic downturns without taking drastic measures, Ebel said.

Measures like workforce reduction, which resulted in Evans and 42 other employees losing their jobs that winter morning in 2010. Most of the layoffs, which totaled 50 people by February that year, related to the decline

in residential and commercial development, Ebel said.

In Evans’ case, the city thought it more economical to use third-party vendors for elevator inspections. “Although I knew it was coming, it still hurt,” Evans said.

She went through the termination meeting and received two weeks’ pay for every year she worked for the city as severance.

“I was in shock,” she said. “After a couple of days wandering around the house, I realized I didn’t have a job.”

Evans, who has a degree in construction management, has limited job opportunities—the construction market is dismal, and jobs in the field of codes and elevator inspections are few and far between.

“I wouldn’t make it as secretary; I have no skills in that area,” she said.

Other available full-time jobs she might qualify for pay below what she made part time with the city, she said.

Fortunately, her husband has a full-time job as an inspector with the state of Missouri and she’s still eligible for unemployment benefits. For now, she is content searching for work and taking care of her 9-year-old daughter and the household.



BY KEVIN WRIGHT, EDITOR

FURTHER RESOURCES

“WHAT IS THE OUTLOOK FOR LOCAL GOVERNMENT REVENUES IN THE TENTH DISTRICT?”

By Alison Felix

KansasCityFed.org/publications

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



Active labor policies

could help long-term unemployment

Many construction workers lost their jobs when the housing bubble burst. A number of them discovered their skills mismatched available jobs within the growing sectors of the economy. They, like other segments of the workforce, are casualties of a labor market shift, said Jun Nie, a Kansas City Fed economist.

Nie and research associate Ethan Struby used the construction industry as one example in their research, “Would Active Labor Market Policies Help Combat High U.S. Unemployment?” to show the change in the unemployment sector.

This change contrasted sharply with traditional U.S. labor market policies that considered any downturn in the economy that resulted in job loss as temporary.

“Many people were unemployed for 27 weeks or more, giving unemployment a structural (high and long-term) component,” Nie said.

U.S. labor market policies focus primarily on “passive” policies. Passive policies offer the unemployed temporary financial support unlike “active” labor policies, which focus on

increasing the employability of the unemployed. Passive policies, such as unemployment benefits, do not directly help workers find jobs, but do stabilize the economy because most beneficiaries, who have no other source of income, spend the money, Nie said.

Those benefits also allow the unemployed to search for a job suitable to their skills and cost-of-living needs rather than take the first available position, reducing the possibility of rejoining the unemployed due to a mismatch in skills, weakening the worker’s productivity and possibly leading to termination, Nie said.

A downside of generous unemployment benefits is the fostering of long-term unemployment—good benefits discourage the unemployed from seeking a new job. Also, benefits fail to contribute to the economy at the same level as a worker’s full-time employment.

“And workers who suffer long unemployment periods may have a lower probability of returning to employment,” Nie said.

Strong labor demand, when the economy is booming, offsets the negative effects of unemployment benefits, but the ability of

passive policies to combat high, long-term unemployment rates in a struggling economy is unclear, according to the research.

Active labor market policies fall into six categories: training programs, job-search assistance, employment incentives, supported employment, direct job creation and other policies.

The research found that job training and job-search assistance were the most effective. The other policies reduce unemployment, but there is significant uncertainty regarding the effectiveness of those policies on long-term (structural) unemployment.

A negative trait with some active policies is if labor demand is weak and few jobs are available, the policies may be less effective, Nie said.

Another pitfall is cost. Training workers so their skills match available jobs takes time and money. A result is a country's debt level increases, and if the return on the investment takes longer to materialize, then there's the risk of long-term deficits.

Active labor market policies, however, may help reduce unemployment, increase gross domestic product and potentially increase tax revenues, Nie said.

The research compared the United States to 20 European member countries of the Organization for Economic Cooperation and Development, using data from 1998-2008.

Comparing the total expenditures on passive and active labor market policies as a fraction of a country's gross domestic product, Denmark spent 4 percent of GDP, ranking it at the top of the list, while the United States spent shy of 0.5 percent, ranking it near the bottom.

The average country, excluding the United States, spent 59 percent of labor market expenditures on passive labor market policies and 41 percent on active policies. In the United States, 70 percent of expenditures went to passive policies and 30 percent went to active policies.

"Solving (the unemployment) problems in the U.S. labor market requires diverse strategies, and clearly there are no simple solutions," Nie said.

Training and job-search assistance may help reduce the skill and geographic mismatch in the labor market. This has been a cost-effective way to combat high, long-term (structural) unemployment in the 20 European countries Nie and Struby used in their research comparison.

They warn, however, that a few factors make comparisons difficult. The U.S. labor market differs from the 20 other countries: The United States has not dealt with long-term structural unemployment since the Great Depression; the U.S. GDP is much larger than the other countries' GDPs; and European countries' labor policies, such as unions, employment hiring and termination laws, and more generous, long-term unemployment benefits are at the root of structural unemployment.

Despite these factors, active labor market policies similar to ones in Europe could help in the United States, Nie said, but it will take funding. To reduce the unemployment rate by 1 percent, say from 8 to 7 percent, the United States would need to spend \$79.5 billion (2011 dollars) on all active labor market policies.

"In this sense, spending on these programs can help reduce the unemployment rate if sufficient jobs already exist in the economy," Nie said. "If there are not enough jobs available, however, the efforts of increasing spending on training programs and job-search assistance may be much smaller."



BY KEVIN WRIGHT, EDITOR

FURTHER RESOURCES

"WOULD ACTIVE LABOR MARKET POLICIES HELP COMBAT HIGH U.S. UNEMPLOYMENT?"

By Jun Nie and Ethan Struby
KansasCityFed.org/publications

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



Finding a place

Navigating today's labor market



Arley Arkenberg grew up in Fort Scott, Kan., where she learned the satisfaction and honesty associated with hard work.

“I was taught to contribute to society,” she said. “That’s why I feel so guilty taking unemployment.”

Arkenberg, 29, lost her job at The Kansas City Nursing News in May 2011. The company that owned the publication restructured its workforce, using more part-time and freelance workers, to make up budget shortfalls.

She had never sought financial assistance when she was in between jobs. Even in college she earned scholarships and grants and avoided taking out large student loans to pay for her education.

“I was taught to be financially responsible,” she said.

Her sound fiscal habits have helped in the last few months as she looked for work and made ends meet, but the slow economic recovery made things difficult. And unemployment has played on her sensibilities.

“Some days are pretty difficult,” she said.

In the days following her layoff, Arkenberg dove into finding a new job and making herself more marketable. Although she sat through several interviews for full-time employment, she has yet to receive an offer.

“It’s almost like dating,” she said. “You go

on that first date and then a couple of weeks later you receive some form of rejection.”

Adult workers ages 25 to 54—the largest segment of the U.S. workforce—experienced significant job losses during the recession and only recently started to see signs of recovery in the labor market, said Jonathan Willis, an economist with the Federal Reserve Bank of Kansas City. Willis, in collaboration with economist Aysegul Sahin at the New York Fed, has studied employment patterns since the labor recovery began at the end of 2009.

From January 2010 through August 2011, employment of workers age 16 and older increased by 1.1 million. That number increased to 2.3 million by the end of 2011, and the national unemployment rate fell to 8.5 percent for the first time in three years. What Willis and Sahin discovered is that highly educated, older workers and men filled a majority of those jobs.

“The issue of gender really surprised me,” Willis said.

In the first 18 months of the labor market recovery, men accounted for 90 percent of the increase in employment. The economists found that the difference is not due to growth of male-dominated industries like construction and manufacturing. Instead, the difference likely reflects that men on average have a stronger attachment to the labor force.

“Evidence suggests that in the face of high

unemployment and falling wages, men are more likely to accept less desirable employment opportunities than women,” the economists wrote in their research, “Employment Patterns During the Recovery: Who Are Getting the Jobs and Why?”

The other reason for the disparity is that men more than women were adversely affected in the recession, especially in the job sectors related to construction, manufacturing and trade, transportation, and utilities.

The surprise, Willis said, was in the disparity between job loss and job gain among genders. In the labor recession, women accounted for 31 percent of the decline in employment, while they accounted for only 10 percent of the jobs gained in the labor recovery.

“Because industry employment patterns cannot explain the strong employment gains by men in the recovery, differences in the characteristics and job-search behavior of the unemployed likely account for observed employment patterns.”

Jerry Layne found himself unemployed

after working 33 years for Northern Telecom, now Nortel Networks Corporation. Nortel, based in Canada, filed for protection against creditors Jan. 14, 2009, in Canada, the United States and the United Kingdom, after a series of acquisitions during the telecom boom in the late 1980s and 1990s caused financial trouble for the company in the 2000s.

Layne made a good living in sales, but the company’s restructuring eliminated his position. Although he has a good pension and 401(k) plan, his home mortgage made early retirement unlikely.

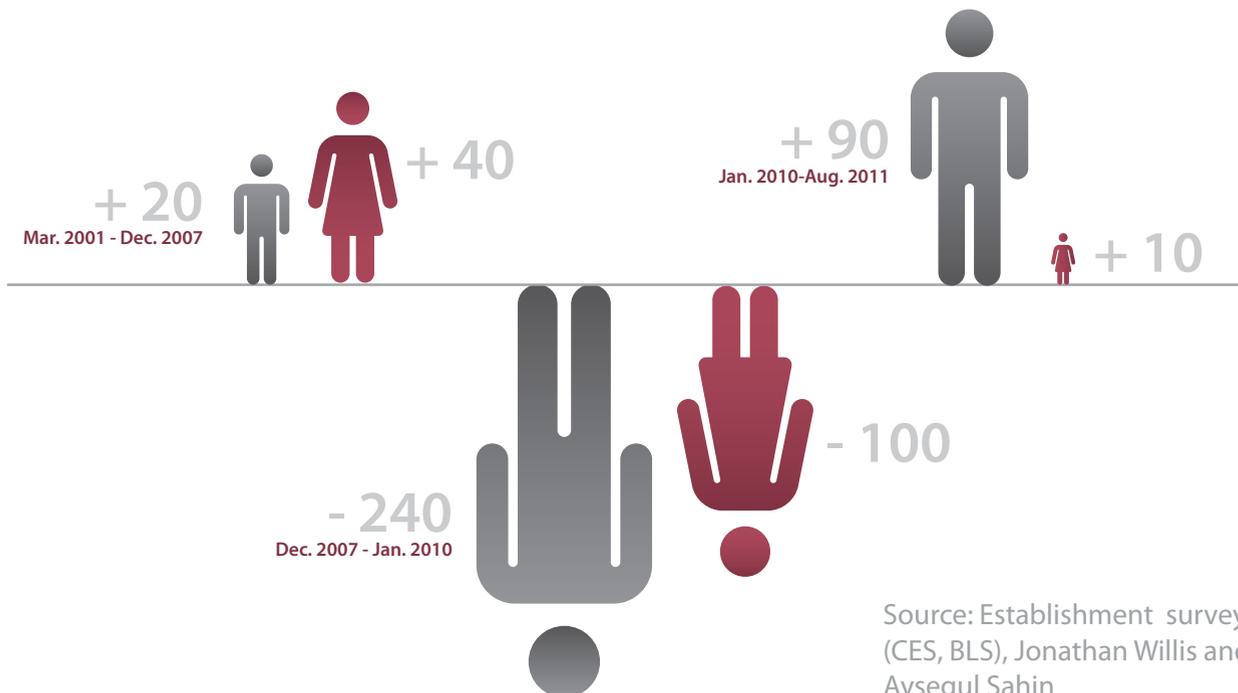
“I quickly updated my knowledge of best practices to search for a job utilizing the Internet,” he said.

He developed several different resumes, joined job search clubs, sought advice and began networking. So at 58, a time when he should look forward to finishing his career, he contemplated ways to reinvent himself—to make himself marketable in a tough economy.

Layne even thought about going into video production, a field in which he had interest

EMPLOYMENT BY GENDER

Average monthly employment change. Numbers are in thousands.



Source: Establishment survey (CES, BLS), Jonathan Willis and Aysegul Sahin

and limited experience. He soon discovered, however, the financial difficulties related to starting a career in that industry.

"I have to tell you, it was pretty scary," he said.

Layne found some age bias during his job search, although he admits, "It probably looks worse than it is when you're older and looking for work."

He realized that instead of reinventing himself, he would "look backward," he said. He relied on his years of experience in telecommunications and the relationships he built within the industry to land a job.

"There were a lot of people out there looking for jobs at the time and it was hard to get noticed," he said.

He reached out to his former Nortel sales contacts at a local telecommunications company, and soon after, the company offered Layne a position. Although the position involved managing people and a decrease in salary from what he made with Nortel, he was glad to have the job, especially with people and technology that were familiar to him.

After taking the job, the new employer made organizational changes due to a recent corporate merger and moved Layne's job out of state. This forced Layne to make a lateral move to another position; one he says is challenging, but enjoyable.

"Some people might describe me as underemployed, but I don't see it that way," he said. "I look at my age and (secure) financial situation, and I feel very fortunate to do what I do."

Layne looks forward to retirement one day—the thought of not going to the office every day appeals to him. Whether that occurs at age 65, earlier or later depends on when he's financially ready, he said.

Many older Americans consider the same question: "When will I retire?" For some, the weak economy, combined with declines in retirement savings and housing wealth following the financial crisis, may force them to work well into their 60s and even 70s. Although data show

many older workers have found new employment, many of them remain unemployed.

The U.S. Labor Department reported in December that the unemployment rate among workers aged 55 to 64 was 6.5 percent. This statistic only includes those who reported that they looked for a job within the previous month. Using a broader measure that takes into account older workers who want full-time work but are unemployed, working part-time or need a job but quit looking, the percentage increases to 17.4 percent. And this does not take into account workers 65 and older.

Janice Wilbourn knew her job as an office manager and bookkeeper at a civil engineering firm was in jeopardy when the housing market crashed in 2008. She decided to use what time she had left at the Kansas firm to prepare herself for the next stage of her life.

"I was going to work as long as I could to pay off as much as I could," she said.

Her hours, along with other employees', were cut in an effort to offset the lack of work coming into the firm due to the housing market decline, and many employees received partial unemployment benefits to make up for lost wages. Two years later, the managing partners eliminated Wilbourn's position.

"My plan was to become debt free before I retire, but I didn't quite make it," she said.

Now, at age 68, she has been unsuccessful in finding a comparable full-time job. Although she had a good retirement nest egg, "I've worked all my life and I wanted to continue working," she said.

Her foray into the labor recovery market changed her mind.

"I was unable to find full-time work that was close to my previous income, and the work I could find was physically demanding," she said.

She took a part-time job at Target, working about 20 hours a week, and drew partial unemployment benefits. The demands of retail and the stress of finding full-time employment wore on her both mentally and physically.

"This is a time when I should think about retirement," she said.

Wilbourn decided to change her lifestyle and use her retirement savings to become debt free. She owed several years on her mortgage, so she sold her home. She paid off her loan on a 2009 Honda hybrid she bought to save gas, and after talking with family, she used her retirement to pay for the construction of an addition—a small apartment—to her youngest daughter's house.

Her plan worked, she said, except she does have one more bill to pay—she owes taxes on the large withdrawal from her retirement fund. But she no longer has a car payment or a mortgage, and her new monthly cost of living fits within her retirement budget.

She won't drop out of the workforce completely. Wilbourn will work at Target for a while until she decides her next step.

"I'll use this situation to find my own niche, something that suits me at this time in my life," she said.

Many older workers from the baby boom generation will continue to drop out of the workforce in the next decade, but not as quickly as many anticipated—employers still value that generation's experience and expertise.

From January 2010 to August 2011, the average employment gain for workers age 55 and older was 75,000 per month. Employment declined by an average 27,000 per month for workers ages 25 to 54 during that time. For the youngest segment, however, ages 16 to 25, employment increased an average of 15,000 per month.

"These employment patterns based on age are primarily a result of demographic factors. The aging of the baby boom generation has resulted in a shift among employed workers toward an older work force," Willis and Sahin wrote in their study.

As the labor market recovery improves and businesses increase hiring, the applicant's experience will be a critical factor for employers in their hiring decisions. Willis thinks the weak economy with a large pool of unemployed workers has made employers reevaluate the savings they can accrue from finding an

experienced worker who can accomplish more than a less experienced worker who will need training.

The overall trend, regardless of age, is that workers finding employment are highly educated. The Current Population Survey, commonly known as the household survey, revealed that employment gains in the recovery have been concentrated among workers with at least some college education.

By August 2011, "Employment for workers with a bachelor's degree or higher increased by 1.1 million, and employment for workers with some college or an associate's degree has increased by 345,000," Willis said.

Many unemployed workers, especially women, have gone back to school to enhance their career opportunities. Arkenberg thought about going back to college and earning a degree in the field of health care, a growing sector of the economy, considering her career in journalism faces several obstacles.

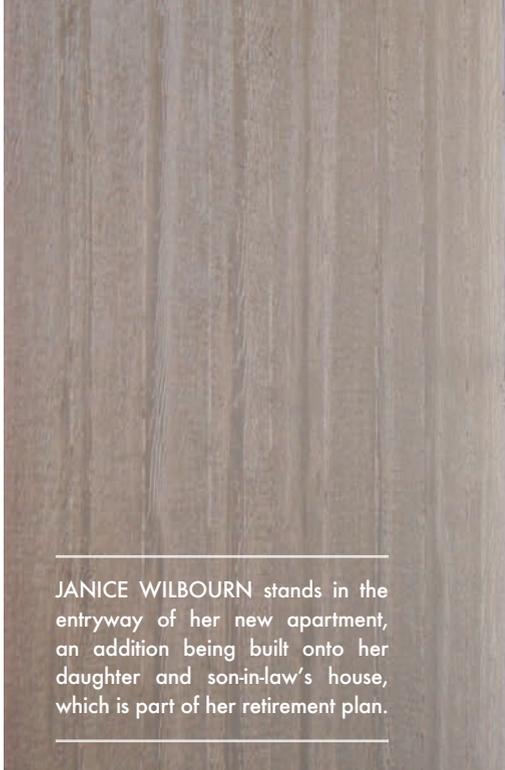
The major employer of journalists was the newspaper industry, which has experienced dramatic losses in revenue since the recession. Several major and smaller market newspapers have cut workforces or froze employment levels or closed. In the Tenth Federal Reserve District, Colorado's second-largest daily newspaper, the Rocky Mountain News, closed its doors, and The Kansas City Star, the flagship paper of the McClatchy Company, the third-largest newspaper company in the United States, has cut half its workforce.

"There are not a lot of opportunities for full-time employment in journalism," Arkenberg said. "I've been in this for seven years, and now it might be over."

The cost of going back to college has kept her from seeking another degree. She also "loves" journalism.

"I don't want to give up on it yet," she said.

Fortunately, Arkenberg's husband works in the health care industry, which gives her some breathing room to rethink her career. Much of the available work in journalism today is freelance or part-time. Arkenberg wants to build



JANICE WILBOURN stands in the entryway of her new apartment, an addition being built onto her daughter and son-in-law's house, which is part of her retirement plan.



a new journalism career working for several clients instead of one employer.

“The drawback is benefits,” she said. “Getting health care insurance on your own is expensive.”

Economists differ on the reasons for the sluggish recovery and why certain people find employment and others remain on the list of long-term unemployment. Some say the labor pool mismatches available jobs created in the recovery. After studying unemployment and employment data, Willis concludes that these trends in the workforce began before the recession, and the weak economy only hastened the shift.

During the recession, every worker category was adversely affected, regardless of age, education, and gender. “If you look at the trends before the recession and after the recession, the unemployment rate doubled for every group,” Willis said.

The most noticeable long-term trend is the United States shifting to a highly educated workforce.

“The workers in highest demand are those with the most education, yet the population of highly educated workers has increased at a faster rate than employment in the recovery,”

Willis said.

Even with job gains now outpacing job losses by an increasing margin—4.2 million jobs were added in January compared to 4.0 million job losses for a net employment increase of 214,000—Willis sees little evidence of a mismatch between jobs and workers at this stage of the labor market recovery. Instead, the economy is too weak to create enough jobs.

“The limiting factor for the current recovery is weak demand,” Willis said. “The economy needs to grow at a faster rate to effectively reduce unemployment.”



BY KEVIN WRIGHT, EDITOR

FURTHER RESOURCES

“EMPLOYMENT PATTERNS IN THE RECOVERY: WHO ARE GETTING THE JOBS AND WHY?”

By Jonathan Willis and Aysegul Sahin
KansasCityFed.org/publications

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

Dubbert promoted to first vice president, COO of the Kansas City Fed

Kelly Dubbert says his understanding of the integrity and importance of the Federal Reserve System has kept him at the Federal Reserve Bank of Kansas City for more than 25 years.

“Who we are and what we do is a big part of my satisfaction,” he said. “I’ve enjoyed the public service mission entrusted by Congress and the public. We, as a System, have a certain set of responsibilities that we must do very well.”



Dubbert was promoted to first vice president and chief operating officer of the Kansas City Fed in January, making him second in command to Bank President Esther George. He is the ninth person to hold this position since 1914; he succeeds George, who became president on Oct. 1, 2011.

“Kelly’s expertise and leadership on numerous IT initiatives and his wide experience in leading many areas of the Bank will be valuable assets for this important senior management role,” George said.

A native of Cawker City, Kan., Dubbert joined the Kansas City Fed in 1986 after graduating from Kansas State University with a degree in finance. He served in leadership positions in administrative, operations and information technology areas during his career, being promoted to official staff in 1993. From 1996 to 2001, he served as branch manager of the Bank’s Oklahoma City Branch.

“I really enjoyed my time as the Oklahoma City Branch manager,” he said, noting that he had the opportunity to be the public face of the Fed in Oklahoma City before returning to Kansas City to assume managerial responsibilities.

As he advanced in his Fed career, Dubbert also graduated from Harvard University’s Advanced Management Program and the Wisconsin Graduate School of Banking. He also participated in a Financial Services Volunteer Council outreach program to the central bank of Morocco.

In 2006, he assumed the role of senior vice president and chief information officer (CIO) of the Kansas City Fed’s Information Technology (IT) Division where he managed the central IT functions, including several complex, high-profile initiatives. Among them was the 2011 addition of the Treasury Services Division, which was created to house the growing areas of support the Kansas City Fed provides to the U.S. Treasury.

“The changes have opened my eyes to the challenges of managing growth,” he said. “But given another chance, I would not hesitate to support ‘raising the Bank’s hand’ to lead System and Treasury initiatives.”

Under Kelly’s leadership as senior vice president, the Kansas City Fed expanded its responsibilities in the Federal Reserve System

and support for the U.S. Treasury, which created jobs in the Tenth District for IT professionals, project managers and other support staff.

“People around the System ask where we get these high quality people,” he said. “We work very hard to attract and retain subject matter experts. We want to attract people who want to be part of a growing, dynamic organization, and who can advance. I’ve been excited to watch that happen in our IT and Treasury areas.”

He has participated in numerous Federal Reserve System leadership groups, including co-chair of the Technology Services Council,

Dubbert also assumes the president’s duties in her absence, including participating in meetings of the Federal Open Market Committee (FOMC). In the president’s absence, Kelly cannot vote, but can present on behalf of the Tenth District. The FOMC implements the nation’s monetary policy and sets key interest rates. Its members consist of the Fed’s Board of Governors and the presidents of the 12 regional Reserve Banks. He joins the Federal Reserve System’s Conference of First Vice Presidents to help lead various initiatives and work on the budget process for the System.

As he has begun to gain traction with

We work very hard to attract and retain subject matter experts.

which represents all Reserve Bank and System CIOs. He also has served as a liaison to the Fed’s Business Technology Council and the Information Technology Oversight Committee, which has governance oversight for all Fed IT services.

“I spent six years in IT helping build our responsibilities and the depth of our staffing and leadership positions,” he said. “For me, it’s always been about growing roles and leadership responsibilities.”

As first vice president, Dubbert works closely with the Bank president, boards of directors, System colleagues and the senior leadership of the Kansas City Fed. He is responsible for the operations and budget administration and also has direct oversight of several areas in the organization, including Information Technology, Treasury Services, Financial Services, Check Automation Services and Administrative Services. He is a member of the Management Committee, which is responsible for strategic planning and policy direction.

his new responsibilities, Dubbert said he has received many words of support.

“I feel tremendous support from staff and leaders throughout the Federal Reserve System as I begin this new role,” Dubbert said. “I appreciate the vote of confidence.”

He comes to his new role at a time when the Federal Reserve is attracting its share of scrutiny from Congress and the media, but he is optimistic about the System with respect both to its historic track record and capability to respond to current and future demands.

“These are challenging times as far as the performance of the U.S. economy,” he said. “I’m optimistic that the integrity and strong performance of the Federal Reserve will continue.”

BY SARAH KEMP, TEN CONTRIBUTING WRITER



Oh Where, Oh Where Has Our Work Ethic Gone?

Michele Wulff is a former public school educator of 30 years and a 2007 recipient of the peer award "Excellence in Teaching Economics." As an economic education coordinator with the Kansas City Fed, she works to heighten financial literacy throughout the seven states of the Tenth District.

Every parent and teacher's dream is to have children that internalize and display a good work ethic. The characteristics of consistent effort, perseverance and positive attitude combine to form the work ethic mindset. These qualities build the child's sense of personal responsibility and pride in their work.

When I was a classroom teacher, I delighted in those students who went the extra mile to complete assignments, because they held high expectations for their work. I often found their high expectations were a result of parental guidance and modeling of a good work ethic at home. In my later years of teaching, I noticed a decline in the number of students showing these abilities. I continued to expect high caliber work, but was often disappointed when students showed poor work attitudes and little effort.

Why has work ethic eroded over the years? Psychologists suggest that several changes in attitude toward work may have led to a weakening in effort. The first is that work is not always accepted as a necessary and routine part of life. If kids are often excused from daily tasks, they begin to think that work is optional, not a required part of family living. Another related change is that kids don't feel the sense of accomplishment from completing their work as they once did in earlier generations. They are

missing the self-esteem boost that comes from completing their jobs with skill and effort. The last is that kids often look upon work as too hard, so why should they try? They defeat themselves before they even begin, rather than look at the task as a challenge they can tackle.

What steps can parents take to develop work ethic? A great start is to call a family meeting to discuss work expectations at home and school. Let kids give input on chores, study times and consequences for work that doesn't meet guidelines. Next, set up a work schedule to get kids into a regular routine and keep them on track. Remember to model a strong work ethic by completing your tasks side by side with them. Most importantly, teach the work-related skills of patience and perseverance. Explain that work can be hard, boring or frustrating, but completing the job is the critical factor to achieving success.

As you help children build their work ethic, tell them they are developing key skills for their future careers. Employers look for workers who are dependable and committed to their jobs. Such employees increase the productivity (or amount of work completed) of the company. Employers value workers who are motivated and engaged in their job. If the time comes to downsize in a business, those with proven work ethic will have an edge on others less diligent. And when the time comes for company promotions, employees who have shown dependability, commitment and positive attitude will likely be the first to climb the ladder to better opportunities.



Financial Education Resources

The Kansas City Fed is committed to promoting economic and financial literacy and greater knowledge of the Federal Reserve's role by providing resources for teachers, students and the public. Visit our website at [KansasCityFed.org/education](https://www.kansascityfed.org/education) for more information.

"The Money Circle," Theme 2,

Lesson 1: Learn to Earn

This lesson shows that skills developed through more education or training lead to better careers and higher earning potential.

"It's Your Paycheck!"

Lesson 1: Invest in Yourself

This lesson demonstrates the importance of building human capital, or the knowledge, talent and skills people possess.

Fiction Books

"The Berenstain Bears and a Job Well Done" by Jan Berenstain

The bear cubs work together to clean their playhouse and learn lessons about finishing the job and doing their best. For ages 5-7.

"Learning about Work Ethic from the Life of Cal Ripken, Jr."

by Jeanne Strazzabosco

This biography of Cal Ripken, Jr. former shortstop for the Baltimore Orioles, focuses on the hard work he put into his baseball career. For ages 8-10.

"The Year Money Grew on Trees"

by Aaron Hawkins

Jackson Jones and his cousins take over an apple orchard and work hard to make it a successful venture. For ages 10-14.

What's Your Work Worth?

Use the work habits checklist to evaluate your work ethic. Read each sentence and circle "A" if it always describes you; "S" if it sometimes describes you; and "N" if it never describes you. Give yourself two points for each "A"; one point for each "S"; and zero points for each "N." Add the points column for your score, and find your "Worker Ranking" below!



WORK HABITS CHECKLIST

ALWAYS (2 pts.) • SOMETIMES (1 pt.) • NEVER (0 pts.)

I put effort into my work.	A	S	N
I finish the jobs I start.	A	S	N
I complete tasks on time.	A	S	N
I produce quality work.	A	S	N
I am proud of my work.	A	S	N
I meet work expectations at home and school.	A	S	N

My Work Habits Total: =

Worker Ranking:

9-12 points: "WOW Worker"

Your work ethic shines! Keep up the great job!

5-8 points: "Wise Worker"

Continue your efforts to make work ethic progress!

1-4 points: "Weak Worker"

Try to improve your work habits for a better work ethic!

BROAD REPRESENTATION, REGIONAL ROOTS

KANSAS CITY FED RELIES ON DIRECTORS FOR INSIGHT

As designed by Congress in 1913, the Federal Reserve is an innovative blending 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 four Tenth District directors:



TERRY L. MOORE
KANSAS CITY DIRECTOR

TERRY L. MOORE

Pride wells in Terry Moore's voice when he describes his involvement in various projects in the greater Omaha area. His pride is in the projects' missions—the people who have or will receive help, find work, or improve their lives through the various endeavors.

As president of the Omaha Federation of Labor, AFL-CIO, Moore's role is to promote labor and industry, but more importantly, to look out for the social and economic well-being of the union's members and their families.

"It has been the most rewarding part of my job," he said.

Moore, a member of the Kansas City Fed Board of Directors, takes his responsibilities a step further.

"I also like to do things to help others in the greater community," he said.

Such as helping the University of Nebraska Medical Center in Omaha receive state approval for a \$390 million cancer research facility or helping build the first family shelter in the city.

There's the old cliché: "Variety is a spice of life," and Moore's work has plenty of it, which helps him in his role as a Kansas City Fed director.

"I have the honor and benefit to work with every walk-of-life individual," he said.

From chief executive officers and mid-level managers to educators, beginning workers and children, Moore uses these connections to formulate anecdotal information for the Fed.

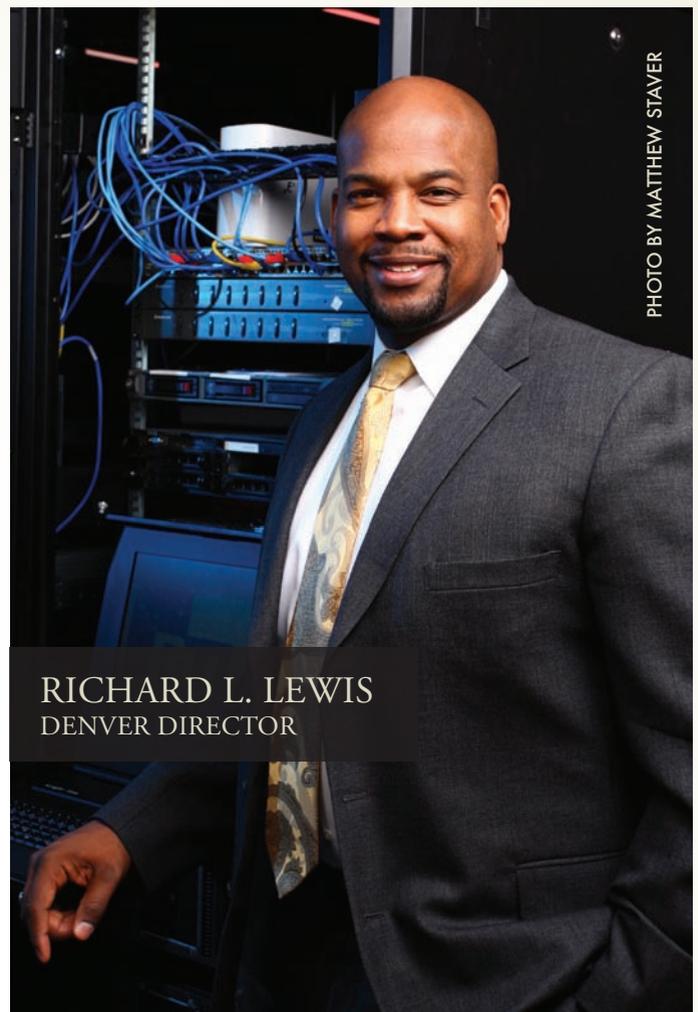
"It's all the information that the Bank hasn't seen, what's happening out there with industry, with people, so they know what's coming," he said.

Moore first worked with the Kansas City Fed on the Economic Advisory Council and then on the Omaha Branch Board of Directors in 2004. He joined the Kansas City Board in 2006. He enjoys working with the Fed and says it's a privilege.

"The Bank has given me far more than I've ever given them," he said.

RICHARD L. LEWIS

As a veteran, Richard Lewis understands the significance of the military, not only overseas, but on the home front.



RICHARD L. LEWIS
DENVER DIRECTOR

"The military is vital to the nation's defense, but it is very important to the Colorado economy," said the Denver businessman.

More than 73,000 jobs in Colorado interrelate to the military or to civil service. Factor in military bases and the economic impact in the state is about \$6.6 billion a year.

"It is a significant economic influence to the area, especially when you talk about (economic) trends and (federal) budget cuts and what that will mean when it comes to jobs and the workforce," he said.

Lewis, a graduate of the U.S. Air Force Academy in Colorado, received his honorable discharge from the U.S. Air Force at the rank of captain.

Lewis conveyed his drive for quality and excellence in the military to the business world. In 2002, he founded RTL Networks, Inc., a technologies company based in Denver.

As president and CEO, Lewis understands the significance of communication—whether it's



PHOTO BY KEITH BALL

LINDA CAPPS
OKLAHOMA CITY DIRECTOR

internal or external, it's the only way a business can achieve its objectives.

A business also wants to be innovative and a leader, not only in the business world, but in the community.

"If we are here only to make money, then we've missed out on an opportunity to make a difference," he said.

Lewis, a former member of the Kansas City Fed's Economic Advisory Council, is on several business- and community-related boards in the Denver area, and he is the founder of the Colorado Black Chamber of Commerce's Chamber Connect Leadership program.

Lewis will use his aforementioned experiences during his first term this year on the Federal Reserve Bank of Kansas City's Denver Branch Board of Directors.

"Colorado has a robust and progressive business environment, and I and my company have had the opportunity to be deeply engaged in that environment," he said. "I believe that I can offer that perspective and those insights, which will help the Federal Reserve as it gathers information and perspectives about the region and shapes monetary policy."

LINDA CAPPS

Linda Capps takes pride in her Native-American heritage and the influence it has on her role as a Board of Directors member for the Federal Reserve Bank of Kansas City's Oklahoma City Branch.

"Governor Bill Anoatubby of the Chickasaw

Nation located in Oklahoma served as a director in the past, and I cherish the fact that Indian Country will continue to be represented now and in the near future (on the Board)," she said.

Capps serves as vice chairman of the Citizen Potawatomi Nation, which is the largest of eight tribes within the Potawatomi language-speaking people. She has served in this position since 1990 at the Nation's operational center in Pottawatomie County, Okla. As part of the executive branch, she shares in the day-to-day management of the Nation, along with other executive branch members and the administrative staff.

"If you are a leader at the Citizen Potawatomi Nation, it is fairly certain that you are extremely busy," she said. "Believe me, it's not a hum-drum busy; it is exciting, energizing and rewarding."

She developed "a deep appreciation" for the Federal Reserve as a young educator.

"When I first began teaching high school business in the 1970s, I often incorporated materials that were provided by the Federal Reserve Banks," she said.

This contact with the Fed left her wanting to learn more. She became a member of the Tenth District Community Development Advisory Council in 2006, serving to 2011.

"I learned more than I ever thought possible about the banking system," she said.

Board members must bring to the table their expertise, experienced judgment, skills and the diversity of their communities, and give an accurate report on the economic data from their region, she said.

“Although I am a proponent of the State of Oklahoma, the County of Pottawatomie and my own community within the county, I feel like my true role for the (Federal Reserve System) is that of a representative of Indian Country,” Capps said.

JIM L. THOM

As spring rains give way to dry summer heat, water is essential in the production of crops. Getting that water from the source to the field, effectively and efficiently, has been the life blood of Jim Thom’s family for more than 55 years.

“We provide irrigation solutions for farmers on a worldwide basis,” said Thom, who has been a member of the Kansas City Fed’s Omaha Branch Board of Directors since 2010.

Thom’s father, LeRoy, an engineer, started T-L Irrigation Co. in 1955 in Hastings, Neb. In high school, Thom worked for his father, and he permanently joined the company after graduating college. He’s now the vice president of finance and general manager, and works alongside his brother Dave, vice president of sales, and his father.

He spends most of his time working with various departments in the organization to make sure customers receive quality products and services. He also makes sure the company and the family remains strong financially through its various ventures.

Thom says the Kansas City Fed is great at gathering data and providing expert analysis on the economy. As a director, he wants to provide the Fed with practical, real-time information

about the marketplace.

Thom’s 32 years in the business has introduced him to a variety of people, cultures and business practices in an agricultural market that has grown into a global industry.

“Agriculture is booming in the U.S., but now it’s booming everywhere,” Thom said.

This cross-cultural, global perspective helps Thom in his role on the Board of Directors.

“I try to find things that are anecdotal, things that are surprising” he said. “I try to get ahead of the statistics.”

Thom and his family pride themselves on innovation and finding the best ways to serve their customers. An example is Thom and his family’s fondness of flying is now a vital part of their company. They use planes to provide more convenient service to their rural and remote customers.

Thom sees the same type of passion and practicality at the Kansas City Fed and the Omaha Branch in particular. Although much discussion has taken place about the Fed’s role in the economy, Thom sees the Kansas City Fed and its Branches as a strength in the recovery.

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FOR MORE INFORMATION on the Kansas City Fed’s directors, bios and more, visit KansasCityFed.org/aboutus/leadership.



JIM L. THOM
OMAHA DIRECTOR

PHOTO BY BOB GREENSPAN

Omaha Branch building updates welcoming to public, partners

To better equip its meeting space for public services, the 25-year-old Omaha Branch office of the Federal Reserve Bank of Kansas City completed renovations in December. Updates, which began in September, were made to the audio-visual system and also include a refresh of fixtures, wall coverings and furniture. The updates make the room function better for the Branch's business needs, which include hosting conferences for public groups that are connected to the work of the bank.

Employees and guests using the office's Cottonwood Room, which can accommodate about 70 people, can now access power through the tables and Internet through either a wireless or DSL connection. Phone and video conferencing capabilities were added and every seat in the room provides a clear view of the new, larger screen.

Next door to the Cottonwood Room are the newly renamed Goldenrod and Little Blue Stem rooms, which both had new carpet installed and were painted earlier in the year. The rooms are named after the Nebraska state tree, flower and grass, respectively.

Since its reopening, the Cottonwood Room has been solidly reserved. The Omaha Branch hosted the National Association of Economic Educators Professional Development conference, which convened 65 economic council members and educators, as well as the National Agricultural Credit Committee spring conference.

Learn more about the structure of the Kansas City Fed at www.KansasCityFed.org/aboutus.



Summit connects banks with businesses, lending resources

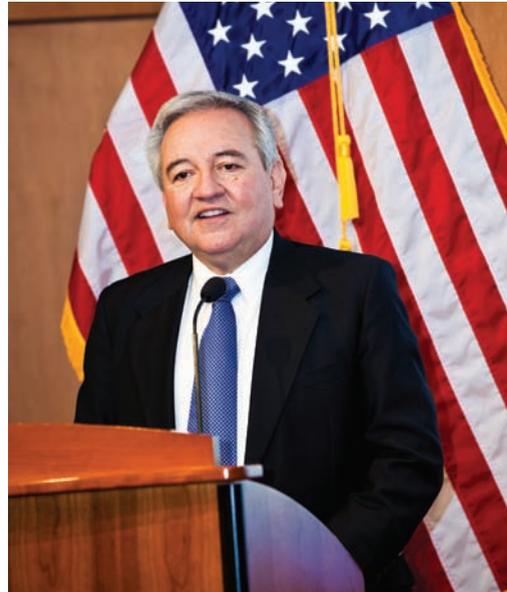
The Federal Reserve Bank of Kansas City's Community Affairs Department heard from partners throughout the Tenth Federal Reserve District, which encompasses Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming, about the challenges of businesses accessing credit and banks making loans.

In response, Community Affairs developed a summit to help connect bankers with government agencies that offer lending enhancement programs for businesses. The summits provide information and resources for bankers to better understand the guaranteed funds available from state and federal agencies.

"The guaranteed funds reduce the banks' risk and help businesses have access to credit and capital," said Vice President Tammy Edwards. "These summits provide another tool for banks to learn how they can get money into the hands of business."

Representatives from the Small Business Administration, USDA-Rural Development and the Federal Home Loan Bank, along with various state economic development departments, provided updates on lending tools available to bankers. More than 300 people attended summits in Denver, Kansas City and Oklahoma City throughout 2011. Omaha will have an event in 2012.

Notable guests at the various summits shared their struggles to secure funding as up-and-coming businesses and offered support. At the Denver event, Colorado Gov. John Hickenlooper recalled his own history as a business owner and his search for lending to keep his business growing. In Oklahoma City, Dave



DAVE LOPEZ, Oklahoma secretary of commerce and tourism, spoke at the Lender Summit in Oklahoma City.

Lopez, Oklahoma secretary of commerce and tourism, described the state's supportive environment for business and incentives to encourage business lending.

"The summit is an opportunity for lenders to learn about some of the programs that are available that help them make safe and sound loans that otherwise would not be made," said Community Affairs Advisor Ariel Cisneros, who helped to lead the initiative. "The key takeaway is to make sure bankers are aware of the tools that are there to assist businesses."

Video clips from the Denver Branch summit are available at www.KansasCityFed.org/community/community-news.cfm.

Can you guess what this is?

Nearly 10 decades of history resides in the Kansas City Fed archives, including many interesting artifacts. Bank archivist Cindy Edwards said not every item makes its past life or use immediately apparent.

“Some items that I have run across have required a fair amount of digging or asking around to find out their intended function,” she said.

The item pictured on this page required a combination of combing through historic photographs and collaboration with Kansas City Fed’s Facilities Management staff to pinpoint its origin and history.

Can you guess what this is?
Here are some hints:

- “Some say lightning never strikes twice.”
- It is made of a combination of metals, but the top is copper.
- This artifact comes from the previous Kansas City Fed headquarters located at 925 Grand Blvd.



Send your guesses to teneditors@kc.frb.org. The answer, along with the best guesses (and guessers), will be revealed in the TEN summer issue.

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 or June.

Sundance State Bank	Sundance	Wyo.	81
First Nebraska Bank	Valley	Neb.	78
First State Bank	Ness City	Kan.	78
Bank of Hartington	Hartington	Neb.	76
Bankwest of Kansas	Goodland	Kan.	73
First Bank B&TC	Larned	Kan.	70
First State Bank of Colorado	Hotchkiss	Colo.	70
First State Bank in Temple	Temple	Okla.	69
Citizens-Farmers Bank Cole Camp	Cole Camp	Mo.	67
Bank of Commerce	Rawlins	Wyo.	34
Citizens Bank of Edmond	Edmond	Okla.	31
Bank of Jackson Hole	Jackson	Wyo.	30
Bankers Bank	Oklahoma City	Okla.	26
Castle Rock Bank	Castle Rock	Colo.	26
Centennial Bank	Centennial	Colo.	20
Cowboy State Bank	Ranchester	Wyo.	10
Cobiz Bank	Denver	Colo.	5
First Bank and Trust Company	Minden	Neb.	5
Commerce Bank of Kansas City	Kansas City	Mo.	1



BY SARAH KEMP, TEN CONTRIBUTING WRITER

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

Ask an Economist...

How has the current economy affected workforce development?

Workforce development is an economic strategy that attempts to enhance a community's economic stability and prosperity by focusing on people and the barriers they face within the economic development of their region or community. This approach is different than other labor- and development-related strategies that focus on businesses.

Kelly Edmiston, an economist in the Community Affairs Department of the Kansas City Fed, says workforce development is an important and timely issue given the state of the labor market.

What are the challenges in workforce development in the current labor market?

Workforce development faces a number of significant pressures in the current economy, including: forecasts of sustained high unemployment; fiscal constraints affecting traditional state and federal funding sources; and shifts in worker demographics, the structure of employment opportunities and the nature of work.

How do these pressures affect local communities?

The labor market has shifted toward highly educated jobs and jobs for the less-skilled, less-educated workforce; however, there are not enough well-paying jobs that require fairly limited education and training, such as traditional manufacturing. If you don't have substantial education and training, it's difficult to find a well-paying job. That used to not be the case. Also, some jobs that used to require few skills are now requiring more—remaining manufacturing is a good example—and much of our workforce is not adequately trained for these

jobs. A shift also will occur in the demographics of the labor force as a large number of baby boomers retire.

What is the Kansas City Fed doing to address these issues?

Besides our ongoing workforce development programs with communities, we will have the The Future of Workforce Development conference Sept. 19-20. For more information about the event, email Community Affairs at workforce@kc.frb.org. Through keynote addresses, panel presentations and facilitated discussions among participants, the conference will address workforce development issues, with a particular focus on how they affect low- and moderate-income communities, the long-term unemployed, and other hard-to-employ groups. This conference will complement, and be informed by, a series of workforce development roundtables led by the Federal Reserve Banks of Kansas City, Atlanta and Richmond in partnership with seven other Federal Reserve Banks.

How will this conference benefit participants?

The conference will provide a forum for both researchers and practitioners to present and discuss their work. It also gives practitioners insight on what works in the context of job training and job creation and giving researchers insight on what practitioners face in their daily work and what timely and valuable information is relevant to their organizational goals. It also will provide participants an opportunity to network with similar stakeholders from across the nation.



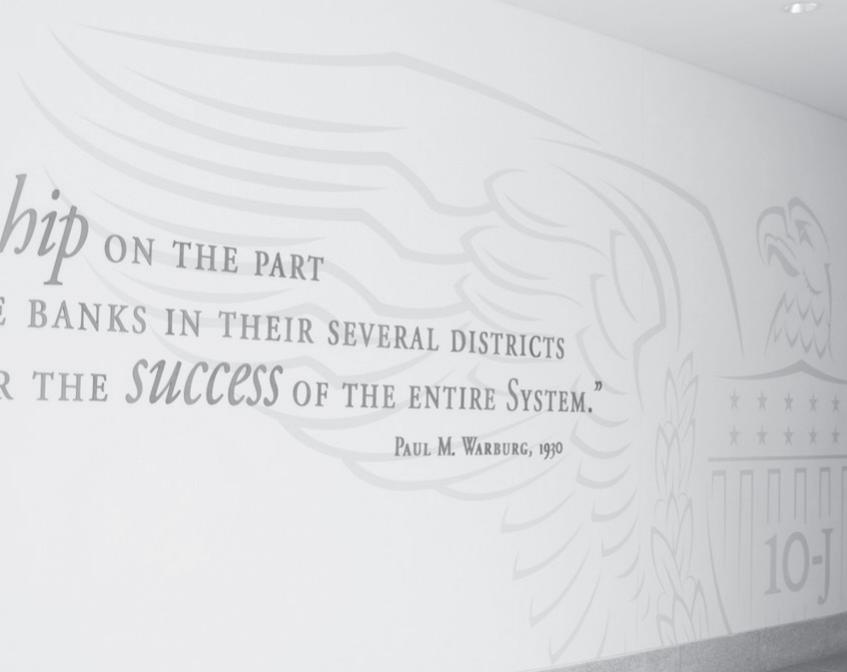
BY KEVIN WRIGHT, TEN EDITOR

2011 Annual Report

FEDERAL RESERVE BANK *of* KANSAS CITY

“STRONG *leadership* ON THE PART
OF THE RESERVE BANKS IN THEIR SEVERAL DISTRICTS
IS A PREREQUISITE FOR THE *success* OF THE ENTIRE SYSTEM.”

PAUL M. WARBURG, 1930



10-J

The Federal Reserve Bank of Kansas City and its Branches in Denver, Oklahoma City and Omaha have three broad focus areas: contributing to monetary policy that promotes stability and growth; providing supervisory and regulatory oversight to financial institutions; and promoting safe and efficient financial services.

This annual report includes information on the leadership and Divisions of the Kansas City Fed and its Branches.

The 2011 audited financial report for the Federal Reserve Bank of Kansas City is available online at KansasCityFed.org.

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THE WORK OF THE FEDERAL RESERVE BANK *of* KANSAS CITY

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.

As one of the 12 regional headquarters, the Federal Reserve Bank of Kansas City 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.



ADMINISTRATIVE SERVICES

This division performs a variety of services to keep the internal operations of the Kansas City Fed running smoothly. Functions include maintaining the Reserve Bank's facilities; providing a safe and secure environment; developing and implementing human resources strategies to meet the evolving needs of the Fed's workforce and environment; developing the budget; and providing accurate financial accounting and reporting. Additionally, the division houses 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, Protection, Human Resources, Financial Management and National Billing Operations are included in the Administrative Services Division, which employs 283 people.

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. It employs 20 people.

CHECK AUTOMATION SERVICES/ PAYMENT DIRECTOR PROJECT

This division is responsible for providing a substantial portion of the technology services

supporting the Federal Reserve System's paper and electronic check systems. In addition, the division is leading the multiyear Payment Director Project for the Federal Reserve System's Retail Payments Office. The project was initiated to implement a more efficient electronic check-processing system. In August, the division head was named the Retail Payments CIO, which encompasses oversight for ACH technology services in addition to check systems. The division employs 113 people.

ECONOMIC RESEARCH

Economic Research studies and evaluates monetary policy, macroeconomics, the payments system 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 Symposium in Wyoming, where central bankers, economists, policymakers and academics from around the world gather to discuss global economic topics. This division employs 46 people.

FINANCIAL SERVICES

Financial Services provides financial institutions across the country with services and support in accessing the payments system and meeting cus-



tomers' demand for currency and coin. Through Cash Services, Wholesale Operations, Check Services, the Customer Contact Center and Sales departments, the division receives deposits and distributes currency and coin; provides secure and timely transfers of funds and securities between banks; supports the paper and electronic check-clearing network; provides 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. This division employs 180 people.

INFORMATION TECHNOLOGY

The Information Technology Division works to support the efforts of business areas in the Kansas City Fed and the Federal Reserve System through innovative information technology solutions. This division includes Information Security, the National Service Desk, Human Resources Technology Center, Internal Network Services, the Server Management Transition Project and Application Delivery Services. This division employs 218 people.

LEGAL

The Legal Division serves as the Kansas City Fed's legal counsel. It provides advice to management and the Board of Directors; represents the Kansas City Fed in administrative and judicial proceedings; assists the Kansas City Fed in complying with applicable law; counsels employees concerning the Kansas City Fed's Code of Conduct; provides training to management; and helps educate employees on legal issues. This division employs five people, including four lawyers.

REGIONAL, PUBLIC AND COMMUNITY AFFAIRS

The division's primary responsibilities are research, resource development and communications. The division's 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 economic development through fair and impartial access to credit throughout the District. The division employs 60 people.

SUPERVISION AND RISK MANAGEMENT

This division is responsible for supervising bank holding companies and state-chartered member banks in the Tenth District. With the passage of the Dodd-Frank Act, the division also is responsible for the supervision of savings and loan holding companies. 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. This division employs 296 people.

TREASURY SERVICES

The Treasury Services Division was created in 2011 to recognize the continued growth in services provided by the Kansas City Fed to the U.S. Department of Treasury in the areas of payments and technology. The division's main responsibilities involve providing application development and support services for multiple Treasury project initiatives including the Payment Application Modernization (PAM) project, the Payment Information Repository effort, and the GOVerify initiative. The division employs 34 people.

Officers | Directors | Advisory Councils

FEDERAL RESERVE BANK *of* KANSAS CITY





Management COMMITTEE

(From left) Ms. Sellers, Mr. Barkema, Ms. Pacheco, Ms. Ward, Ms. George, Mr. Dubbert, Ms. Raley, Ms. Connor, Ms. Morhaus and Mr. Moore

Esther L. George

President and Chief Executive Officer

Alan D. Barkema

Senior Vice President of Economic Research and
Director of Research

Denise I. Connor

Senior Vice President of Check Automation Services and
the Payments Director Project

Kelly J. Dubbert

Senior Vice President of Information Technology and
Chief Information Officer

Kevin L. Moore

Senior Vice President of Supervision and
Risk Management

Dawn B. Morhaus

Senior Vice President of Treasury Services

Barbara S. Pacheco

Senior Vice President of Financial Services

Diane M. Raley

Senior Vice President of Regional, Public and
Community Affairs, and Public Information Officer
and Secretary

Veronica R. Sellers

Senior Vice President and General Counsel

Donna J. Ward

Senior Vice President of Administrative Services and
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.

FEDERAL RESERVE BANK DIRECTORS:

GOVERNANCE OF THE DISTRICT; GUARDIANSHIP OF THE SYSTEM

The Board of Directors of a Federal Reserve Bank is filled through a unique blend of appointed and elected positions. The nine-member panel is divided evenly among three classifications. All 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, Max T. Wake, president of the Jones National Bank & Trust Co. of Seward, Neb., is a Class A director, who was elected by, and represents, Group 3 member banks.

CLASS B

The three Class B directors represent the public; however, they may not be an officer, director or employee of a financial affiliation company. These directors are also elected by member banks under the same categories as Class A directors. For example, Richard K. Ratcliffe, chairman of Ratcliffe's Inc. of Weatherford, Okla., 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, Terry L. Moore, president of the Omaha Federation of Labor, is a Class C director. From the Class C directors, the Board of Governors selects one person as chairman and another as deputy chairman.

SERVING ON THE 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 a 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 37.

SERVING THE BRANCHES

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 on Pages 38-40.



Boards of Directors



KANSAS CITY

*(From left, front row) Mr. Brownback, Mr. Ratcliffe, Mr. Stout, Mr. DeBruce, Ms. Córdoba,
(back row) Mr. Ikard, Mr. Wake, Mr. Gordon and Mr. Moore*

Paul DeBruce, Board Chair

Chief Executive Officer and Founder
DeBruce Grain, Inc.
Kansas City, Missouri (Class C)

Lu M. Córdoba, Board Deputy Chair

Chief Executive Officer, Corlund Industries;
President and General Manager,
Almacen Storage Group
Boulder, Colorado (Class C)

David W. Brownback

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

Mark Gordon

Owner
Merlin Ranch
Buffalo, Wyoming (Class B, Group 3)

John A. Ikard

President and Chief Executive Officer
FirstBank Holding Company
Lakewood, Colorado (Class A, Group 1)

Terry L. Moore

President
Omaha Federation of Labor, AFL-CIO
Omaha, Nebraska (Class C)

Richard K. Ratcliffe

Chair
Ratcliffe's Inc.
Weatherford, Oklahoma (Class B, Group 2)

John T. Stout, Jr.

Chief Executive Officer
Plaza Belmont Management Group LLC
Shawnee Mission, Kansas (Class B, Group 1)

Max T. Wake

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

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

Boards of Directors



DENVER

(From left) Ms. Kelly, Mr. Brown, Ms. Mowry, Ms. Yatskowitz, Ms. Herda and Mr. Zaback

Barbara Mowry, Board Chair

Chief Executive Officer
GoreCreek Advisors
Greenwood Village, Colorado

Bruce K. Alexander (not pictured)

President and Chief Executive Officer
Vectra Bank Colorado
Denver, Colorado

Charles H. Brown III

President
C.H. Brown Co.
Wheatland, Wyoming

Anne Haines Yatskowitz

President and Chief Executive Officer
ACCION New Mexico-Arizona-Colorado
Albuquerque, New Mexico

Larissa L. Herda

Chair, Chief Executive Officer and President
tw telecom inc.
Littleton, Colorado

Margaret M. Kelly

Chief Executive Officer
RE/MAX, LLC
Denver, Colorado

Mark A. Zaback

President and Chief Executive Officer
Jonah Bank of Wyoming
Casper, Wyoming

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

Boards of Directors



OKLAHOMA CITY

(From left) Ms. Washington, Mr. Tippens, Mr. Dunn, Ms. Fiegel, Mr. Agee and Mr. Vasudevan

Steven C. Agee, Board Chair

Dean and Professor of Economics
Meinders School of Business
Oklahoma City University
Oklahoma City, Oklahoma

Bill Anoatubby (not pictured)

Governor
Chickasaw Nation
Ada, Oklahoma

James D. Dunn

Chair
Mill Creek Lumber & Supply Co.
Tulsa, Oklahoma

Jacqueline R. Fiegel

Senior Executive Vice President and
Chief Operating Officer
Coppermark Bank
Oklahoma City, Oklahoma

Douglas E. Tippens

President and Chief Executive Officer
Bank of Commerce
Yukon, Oklahoma

K. Vasudevan

Chairman and Founder
Service & Technology Corporation
Bartlesville, Oklahoma

Rose Washington

Executive Director
Tulsa Economic Development Corporation
Tulsa, Oklahoma

Boards of Directors



OMAHA

(From left) Mr. Adams, Mr. Thom, Mr. Farrell, Ms. Martin, Mr. Russell and Mr. Sutko

James C. Farrell, Board Chair
President and Chief Executive Officer
Farmers National Company
Omaha, Nebraska

Todd S. Adams
Chief Executive Officer
Adams Bank & Trust
Ogallala, Nebraska

JoAnn M. Martin
Chairman, President and Chief Executive Officer
Ameritas Life Insurance Corp.
Lincoln, Nebraska

Natalia J. Peart (not pictured)
Chief Executive Officer
Women's Center for Advancement
Omaha, Nebraska

G. Richard Russell
President and Chief Executive Officer
Millard Lumber Inc.
Omaha, Nebraska

Mark A. Sutko
President and Chief Executive Officer
Platte Valley State Bank
Kearney, Nebraska

James L. Thom
Vice President
T-L Irrigation Co.
Hastings, Nebraska



ECONOMIC ADVISORY COUNCIL

(From left) Mr. Sunderland, Mr. Aulick, Mr. Ward, Mr. Bourne, Ms. Johnson, Mr. Lewis, Mr. McClain, Mr. Hofmann and Ms. Bass

Vincent L. Aulick

President
Aulick Industries and Aulick Manufacturing
Scottsbluff, Nebraska

Deb Bass

President and Chief Executive Officer
Bass & Associates Inc.
Omaha, Nebraska

John F. Bourne

International Representative
International Brotherhood of Electrical Workers
Omaha, Nebraska

Michael W. Hofmann

Vice President and Chief Risk Officer
Koch Industries, Inc.
Wichita, Kansas

Deborah Johnson

Chief Executive Officer
Rick Johnson and Company, Inc.
Albuquerque, New Mexico

Richard Lewis

President and Chief Executive Officer
RTL Networks, Inc.
Denver, Colorado

Terry McClain

Senior Vice President and Chief Financial Officer
Valmont Industries, Inc.
Omaha, Nebraska

Charles T. Sunderland

Chairman and Chief Executive Officer
Ash Grove Cement Company
Overland Park, Kansas

Tom L. Ward

Chairman, Chief Executive Officer and President
SandRidge Energy, Inc.
Oklahoma City, Oklahoma

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.

Advisory Councils



COMMUNITY DEVELOPMENT ADVISORY COUNCIL

(From left) Ms. Capps, Ms. Meyer, Mr. Smith, Ms. Dobreff, Mr. McQueen, Ms. Marquez, Ms. Wright and Mr. Padilla

Linda Capps

Vice Chairman
Citizen Potawatomi Nation
Shawnee, Oklahoma

Erica Dobreff

President
Kansas City Equity Fund
Kansas City, Missouri

Shelly Marquez

Vice President & Community
Development Manager
Wells Fargo Bank
Denver, Colorado

Clyde McQueen

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

Carol Meyer

President
Garden City Chamber of Commerce
Garden City, Kansas

Daniel Padilla

Regional Branch Director
First National Bank
Omaha, Nebraska

Alex Romero (not pictured)

President and Chief Executive Officer
Albuquerque Hispano Chamber of
Commerce
Albuquerque, New Mexico

Tom Seth Smith

President and Chief Executive Officer
REI
Durant, Oklahoma

Lesli Wright

Senior Vice President, Risk Management
Hilltop National Bank
Casper, Wyoming

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

Advisory Councils



COMMUNITY DEPOSITORY INSTITUTION ADVISORY COUNCIL

(From left) Mr. Crain, Mr. Kosman, Mr. Robinson, Mr. Dicus, Mr. Kloiber, Mr. Schmid, Mr. Crichfield, Mr. Shettlesworth, Mr. Bentley, Mr. Emmer, Ms. Haskin and Mr. Williams

Ted Bentley

President and Chief Executive Officer
First State Bank
Torrington, Wyoming

Doug Crichfield

President and Chief Executive Officer
Solera National Bank
Lakewood, Colorado

Brad Crain

Chief Financial Officer
Union Bank & Trust Co.
Lincoln, Nebraska

John Dicus

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

Charles Emmer

President and Chief Executive Officer
ENT Federal Credit Union
Colorado Springs, Colorado

Jane Haskin

President and Chief Executive Officer
First Bethany Bank & Trust
Bethany, Oklahoma

Mike Kloiber

President and Chief Executive Officer
Tinker Federal Credit Union
Tinker Air Force Base, Oklahoma

Hod Kosman

President
Platte Valley Bank
Scottsbluff, Nebraska

James Robinson

President and Chief Executive Officer
Nodaway Valley Bank
St. Joseph, Missouri

Jeff Schmid

Chief Executive Officer
Mutual of Omaha Bank
Omaha, Nebraska

Ron Shettlesworth

President and Chief Executive Officer
Main Bank
Albuquerque, New Mexico

Alex Williams

President and Chief Executive Officer
Halstead Bank
Halstead, Kansas

Members were selected from representatives of banks, thrift institutions and credit unions. CDIAAC replaces the Thrift Institutions Advisory Council.

Economic Roundtables



FOOD AND AGRICULTURE ROUNDTABLE

(Front row, from left) Mr. Adams, Mr. Thamodaran, Mr. Detrick, Mr. Dixon, Mr. Gottschalk, Mr. Klumpke, Mr. Headley, Mr. Hammes, Mr. Horan, Mr. Wellman (Back row, from left) Mr. Henderson, Mr. Timmerman, Mr. Barkema, Mr. Brooks, Mr. Elmore, Mr. Cassidy, Mr. Barr, Mr. Swedberg, Mr. Wyse, Mr. Kollar, Mr. Lapp, Mr. Farrell, Mr. McCauley and Mr. Hill

Jerry Adams

Adams Land & Cattle Co.
Broken Bow, Nebraska

Alan Barkema

Federal Reserve Bank of Kansas City
Kansas City, Missouri

Barrett Barr

Deere and Company
Lenexa, Kansas

Bill Brooks

Dowens-O'Neill/FC Stone, LLC
Dearborn, Missouri

Dan Cassidy

Missouri Farm Bureau
Jefferson City, Missouri

Terry Detrick

American Farmers & Ranchers
Oklahoma City, Oklahoma

Parry Dixon

A.D.M.
Decatur, Illinois

Steve Elmore

Pioneer DuPont Ag & Nutrition
Johnston, Iowa

Jim Farrell

Farmers National Company
Omaha, Nebraska

Andrew Gottschalk

R.J. O'Brien and Associates
Greenwood Village, Colorado

Paul Hammes

Union Pacific Railroad
Omaha, Nebraska

Peter Headley

Metlife
Overland Park, Kansas

Jason Henderson

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

Howard Hill

National Pork Producers Council
Urbandale, Iowa

Bill Horan

Horan Brothers Ag Enterprises
Rockwell City, Iowa

Pat Klumpke

CHS Inc.
Inver Grove Heights, Minnesota

Ken Kollar

Great Western Bank – Agribusiness
Shawnee, Kansas

Bill Lapp

Advanced Economic Solutions
Omaha, Nebraska

Ken McCauley

K&M Farms, Inc.
White Cloud, Kansas

Joe Swedberg

Hormel Foods Corporation
Austin, Minnesota

Dhamu Thamodaran

Smithfield Foods
Smithfield, Virginia

Jim Timmerman

Timmerman & Sons Feeding Co.
Springfield, Nebraska

Steve Wellman

American Soybean Association
Syracuse, Nebraska

Ray Wyse

Gavilon Group, LLC
Omaha, Nebraska

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 discussion.



REGIONAL ECONOMIC ROUNDTABLE

(From left) Mr. Hill, Mr. Wobbekind, Mr. Guetabbi, Mr. Decker, Mr. Mitchell, Ms. Reynis and Mr. Robinson

Russell Evans (not pictured) *
Director, Center for Applied Economic Research
Oklahoma State University
Stillwater, Oklahoma

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

David Mitchell
Assistant Professor
Missouri State University
Springfield, Missouri

Lee Reynis
Director, Bureau of Business and Economic Research
University of New Mexico
Albuquerque, New Mexico

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

Eric Thompson (not pictured) **
Associate Professor of Economics
Director, Bureau of Business Research
University of Nebraska – Lincoln
Lincoln, Nebraska

Richard L. Wobbekind
Director, Business Research Division and Associate Dean
University of Colorado – Boulder
Boulder, Colorado

***Mouchine Guetabbi**
(Attended 2011 Roundtable on behalf of Russell Evans)
Research Economist
Oklahoma State University
Stillwater, Oklahoma

****Christopher Decker**
(Attended 2011 Roundtable on behalf of Eric Thompson)
Associate Professor of Economics
University of Nebraska – Omaha
Omaha, Nebraska

Economists from each of the seven states in the Tenth District 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.

Tenth District OFFICERS

Kansas City

Thomas M. Hoenig
President and Chief Executive
Officer (retired, Oct. 1, 2011)

Esther L. George
President and
Chief Executive Officer

Alan D. Barkema
Senior Vice President and Director
of Research

Denise I. Connor
Senior Vice President

Kelly J. Dubbert
Senior Vice President and Chief
Information Officer

Kevin L. Moore
Senior Vice President

Dawn B. Morhaus
Senior Vice President

Barbara S. Pacheco
Senior Vice President

Diane M. Raley
Senior Vice President, Public
Information Officer and Secretary

Donna J. Ward
Senior Vice President and
Director of the Office of Minority
and Women Inclusion

Craig S. Hakkio
Senior Vice President and Special
Advisor on Economic Policy

Stephen E. McBride
Senior Vice President and
General Auditor

Veronica M. Sellers
Senior Vice President and
General Counsel

Josias A. Aleman
Vice President

Larry D. Bailey
Vice President

Anita F. Costanza
Vice President

Kristi A. Coy
Vice President

Kevin J. Craig
Vice President

Janel K. Frisch
Vice President and
Chief Financial Officer

Kristofer K. Hogan
Vice President

Mark C. Horan
Vice President

James H. Hunter
Vice President

George A. Kahn
Vice President and Economist

Edward S. Knotek II
Vice President and Economist

Korie S. Miller
Vice President

Charles S. Morris
Vice President and Economist

Todd A. Offenbacher
Vice President

Annette K. Owens
Vice President

Karen A. Pennell
Vice President

Linda S. Schroeder
Vice President

Mark A. Watson
Vice President

Pamela L. Weinstein
Vice President

Kristina J. Young
Vice President and
Assistant Secretary

Susan E. Zubradt
Vice President

Stanley R. Beatty
Assistant Vice President

J. Stephen Bradberry
Information Technology Officer

Kelley D. Courtright
Assistant Vice President

Kelli J. Cox
Assistant Vice President

Tanya L. Cvetan
Assistant Vice President

Dennis V. Denney
Assistant Vice President

Tammy Edwards
Assistant Vice President and
Community Affairs Officer

Brian C. Faros
Assistant Vice President

Lori D. Haley
Assistant Vice President

Robert L. Hampton
Assistant Vice President

Richard L. Henry
Assistant Vice President

Ann L. Hoelting
Assistant Vice President

Dawn Howell
Assistant Vice President

Megan L. Hruda
Assistant Vice President

Tara L. Humston
Assistant Vice President

Lowell C. Jones
Assistant Vice President

William R. Keeton
Assistant Vice President and
Economist

W. Todd Mackey
Assistant Vice President

Christi A. May-Oder
Assistant Vice President

Renu A. Mehra
Assistant Vice President

Randall L. Mueller
Assistant Vice President

Kimberly N. Robbins
Assistant Vice President

Amy M. Seck
Assistant Vice President

Kenneth R. Spong
Assistant Vice President and
Economist

Michael R. Steckline
Assistant Vice President

Brosie Strada
Assistant Vice President

Stephanie L. Stratemeier
Assistant Vice President

Leesa G. Thompson
Assistant Vice President

Wilmer R. Ullmann
Assistant Vice President, Associate
General Counsel and Ethics Officer
(retired, July 15, 2011)

Kathryn A. Webster
Assistant Vice President

James Wilkinson
Assistant Vice President and
Economist

Jonathan L. Willis
Assistant Vice President and
Economist

Ginger K. Wise
Assistant Vice President

Catherine A. Zeigler
Assistant Vice President

Denver

Mark C. Snead
Vice President,
Branch Executive and Economist

Amy Hileman
Assistant Vice President

Debbie L. Meyers
Assistant Vice President

Trina L. Parsley
Assistant Vice President

Oklahoma City

Chad R. Wilkerson
Vice President,
Branch Executive and Economist

Robert W. Toler
Assistant Vice President

Omaha

Jason R. Henderson
Vice President,
Branch Executive and Economist

D. Rick Lay
Assistant Vice President



PEOPLE



PRACTICES



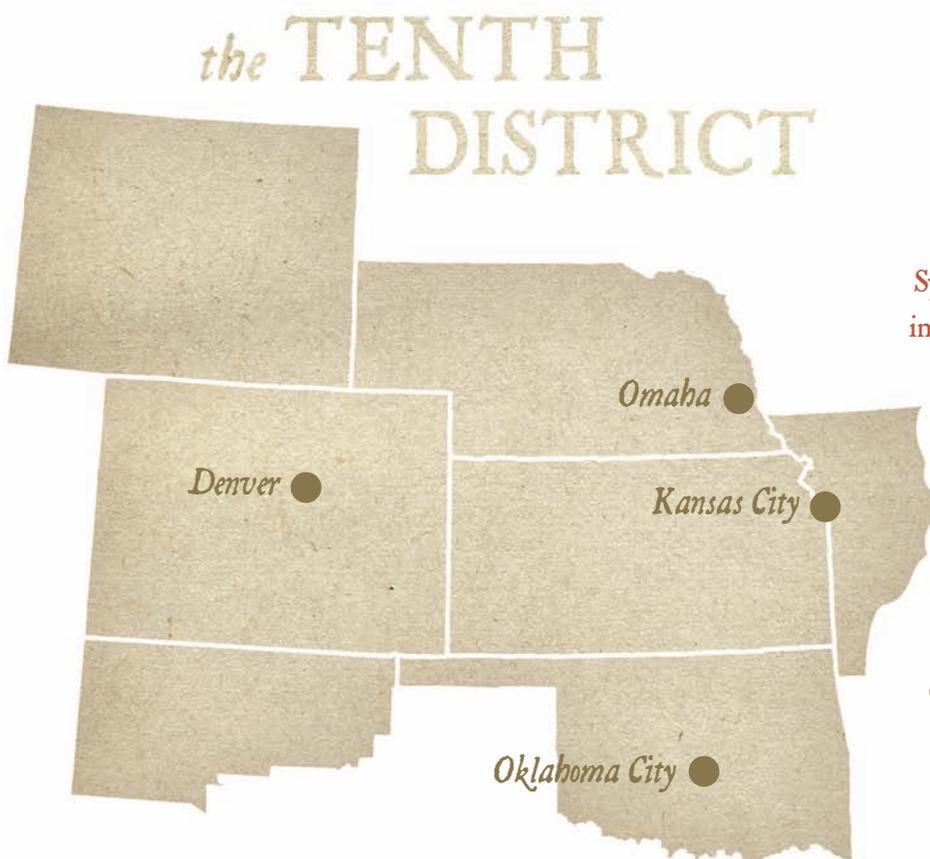
PARTNERSHIPS

COMMITMENT to DIVERSITY

*Federal Reserve Bank of Kansas City
Office of Minority and Women Inclusion
2011 Report to Congress*

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The Federal Reserve Bank of Kansas City was established in 1914 as one of 12 regional Reserve Banks, which, along with the Board of Governors of the Federal Reserve System in Washington, D.C., are responsible for setting the nation's monetary policy, providing financial services to depository institutions and supervising financial institutions. The System's decentralized structure, including local boards of directors and advisory councils, ensures that a broad spectrum of views from the public contribute to the central bank's deliberations.

The Kansas City Fed employs about 1,300 people in its head office in Kansas City and in Branch offices in Denver, Oklahoma City and Omaha. The Bank is responsible for the Tenth Federal Reserve District, a large and diverse region consisting of Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and western Missouri.



MARCH 30, 2012

One of the Federal Reserve Bank of Kansas City's core values is the belief that diversity strengthens our organization and enriches the communities we serve. To that end, the Bank is proud to submit its 2011 Report to Congress of the Office of Minority and Women Inclusion (OMWI), which details the Bank's successes and challenges in meeting the requirements of Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

As part of the nation's central bank, we strive to hire and retain a creative and diverse workforce, identify and use a diverse pool of suppliers to meet our business needs, and improve the financial literacy of diverse populations in our region through community outreach and partnerships with urban schools. Each of these goals contributes to the Kansas City Fed's role in assuring the nation's financial stability.

During the first full year of establishing an OMWI, the Bank continued to strengthen and develop its long-standing commitment to diversity and inclusion throughout its operations. By making continuous improvement a key part of our organization, we have identified many ways to enhance our existing diversity practices.

While this report focuses on the initiatives undertaken by the Bank in 2011, I invite you to visit our diversity Web page at www.KansasCityFed.org/diversity for regular updates throughout the year about our OMWI activities. You will find our Diversity Strategy, information about our commitment to diversity, requirements of Section 342 and much more.

A handwritten signature in cursive script that reads "Esther L. George".

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

Executive Summary

In the year since establishing its Office of Minority and Women Inclusion (OMWI), the Federal Reserve Bank of Kansas City has strengthened its commitment to diversity. Although the legislation that called for each Reserve Bank to establish OMWI was signed in 2010, many of the activities called for in the Dodd-Frank Act have been in place at the Bank for years.

In support of the Act, the Bank established its OMWI on Nov. 1, 2010, and appointed Donna J. Ward as senior vice president and OMWI director. In this role, Ward is responsible for all OMWI activities and is the senior officer in charge of the Bank's procurement and human resources areas.



Donna J. Ward is OMWI director and senior vice president of the Kansas City Fed's Administrative Services Division, where she oversees procurement and human resources areas.



Students from urban high schools in the Kansas City area participate in the Kansas City Fed's Student Board of Directors.

Under Ward's direction, the Bank continued to strengthen its efforts in three key areas during 2011:

- **PEOPLE:** Attracting and retaining a diverse workforce.
- **PRACTICES:** Ensuring the participation of minority- and women-owned businesses in contracts and programs.
- **PARTNERSHIPS:** Engaging with diverse community organizations and urban schools to promote financial literacy.

Kansas City Fed President Esther George, left, presents Vice President Tammy Edwards with the Bank's Diversity Change Agent Award in 2011.



PEOPLE

The Kansas City Fed, with Branch offices in Denver, Oklahoma City and Omaha, serves the Tenth Federal Reserve District, a large and diverse area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and western Missouri.

The Tenth District economy represents a wide range of industries, including agriculture, banking, energy, manufacturing, aerospace, hospitality/tourism

and military. According to the latest available data from the U.S. Census Bureau, a significantly higher percentage of the District's population lives in rural areas (33 percent) than the national average (19 percent). Likewise, the District's minority population differs from the nation's, with 27.5 percent of the District's population holding minority status, compared to 36.3 percent for the nation as a whole.

the diversity of the District. The first female chair of the Bank's head office board of directors was appointed in 1984, and in 2000, the chairs of all four offices' boards were women. Most recently, leaders from the Chickasaw and Potawatomi nations served as a board director and a member of the Bank's Community Development Advisory Council, respectively.



Betty Dixon, the Kansas City Fed's first woman Protection officer, joined the Omaha Branch in July 1973.

“To serve this region, the Kansas City Fed ensures that those who serve on its boards and advisory councils are strong industry and community leaders who reflect the diversity of the District.”



In 2000, then-Bank President Tom Hoenig, center, is pictured with the chairs of the Bank's boards in Denver, Kansas City, Omaha and Oklahoma City.

To serve this region, the Kansas City Fed ensures that those who serve on its boards and advisory councils are strong industry and community leaders who reflect

Throughout its history, the Kansas City Fed has placed a high priority on inclusion. Today, with 1,300 employees on staff, more than half of the Bank's

officer-level personnel are women, far surpassing the average found among comparably sized organizations in Kansas City. In addition, the Bank's Management Committee, which is responsible for setting the Bank's policy and strategic direction, is 63.6 percent female and 9.1 percent minority—surpassing the 2010 Census Kansas City metro-area averages for equivalent positions of 25.7 and 6.1, respectively.



The Bank's new building project in 2008 focused on ensuring the workforce included minorities and women.

PRACTICES

The Kansas City Fed welcomes the opportunity to work with diverse suppliers and service providers. It strongly encourages the participation of minority- and women-owned businesses in its procurement process and offers a self-registration tool for suppliers on its website.

One of the largest projects in the Bank's history—the construction of its headquarters building at 1 Memorial Drive—involved the significant participation of minority- and women-owned suppliers. When construction began in 2005, the Bank was closely involved with its project partners to emphasize the importance of diversity in subcontractors and suppliers.

The Bank is closely involved with INROADS Inc., which seeks to develop and place talented minority students in professional careers.

The project team involved the Minority Contractors Association and the National Association of Women in Construction to help identify qualified suppliers, and as a result, more than 21 percent of the project's contracts with a total value of \$45.5 million was awarded to minority- and women-owned businesses. This included \$26.7 million spent on minority contractors and \$18.8 million to women contractors. Inclusion efforts on the project also focused on ensuring the project workforce included minorities and women, who represented 16.3 percent of the total workforce.

In 2011, the Bank continued its commitment to supplier diversity by hosting business roundtables

with diverse businesses, by participating in outreach events with potential diverse suppliers and by creating new resources to inform diverse businesses about opportunities with the Bank.

The Bank's partnership with the Kansas City Chapter of the National Black MBA Association provides a connection to diverse professionals.



PARTNERSHIPS

The Kansas City Fed has developed long-standing partnerships with more than a dozen community organizations dedicated to advancing the interests of minorities and women, including the Hispanic Chamber of Commerce of Greater Kansas City, the National Black MBA Association, the National



Society of Hispanic MBAs, the Black Achievers Society and the Urban League of Greater Kansas City. In addition, Bank staff at all levels participate in and support community organizations.

One key partnership has been with the Kansas City Chapter

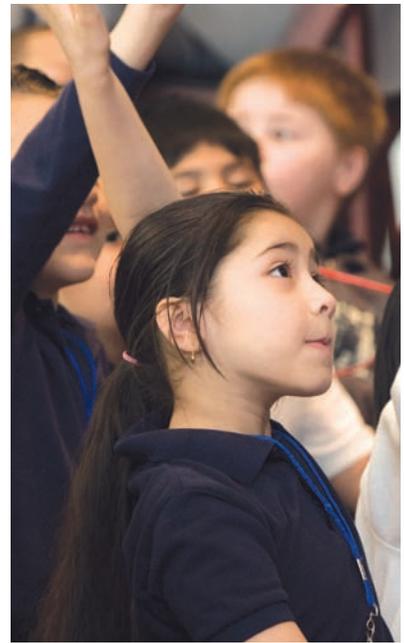


of INROADS, which seeks to develop and place talented minority students in professional careers. The Bank's involvement with INROADS goes back more than 30 years, and since 1991, a senior officer has participated in a leadership role with INROADS.

More than 13 years ago, the Bank was a founding member of Kansas City's Urban Financial Services Coalition, and then-president Tom Hoenig received the coalition's highest honor, the Nathaniel C. Harris Lifetime Achievement Award, in 2010.

Since the 1980s, the Bank has worked with Junior Achievement to deliver personal finance lessons to children. Annually, Bank volunteers reach some 800 students in urban areas throughout the District through this partnership. In addition, dozens of Bank employees volunteer for the annual "Teach Children to Save Day" and provide classroom lessons for thousands of elementary school children in urban school districts.

The Kansas City Fed's commitment to diversity remains strong and continues to be refined as it seeks to carry out its public service-oriented mission.



Through the years, the Bank has sought opportunities to improve financial education in urban school districts.



Bank staff engaged community partners during a 2011 forum on payroll and reloadable debit cards.

People

A COMMITMENT TO MINORITY *and* WOMEN EMPLOYMENT

During her career at the Kansas City Fed, Erika Ramirez has managed a budget, worked with internal auditors, found ways to address the needs of the region's low- to moderate-income populations and coordinated the Bank's diversity strategy.

Through these experiences, Ramirez has had opportunities to interact with the Bank's senior leaders and has gained wide exposure to a range of operations. In her current position as diversity and inclusion coordinator, she plays an important role in the Bank's OMWI efforts.

"The Bank has a long-standing history of commitment to diversity and inclusion, and we continually strive to achieve our goals," Ramirez says. "It is rewarding to be a part of an organization that places a high priority on attracting and retaining a diverse workforce."

retain and develop a workforce that is reflective of the pool of qualified candidates in its relevant labor markets. This strategy, which is publicly available on the Bank's website at www.KansasCityFed.org/diversity, has resulted in a number of successes.

"The Bank has a long-standing history of commitment to diversity and inclusion, and we continually strive to achieve our goals."



Erika Ramirez, is the Kansas City Fed's diversity and inclusion coordinator and plays a vital role in the Bank's OMWI efforts.

The Kansas City Fed is committed to being an inclusive organization where diversity is respected and leveraged in all areas to better serve its region—the Tenth Federal Reserve District.

To strengthen this commitment, the Bank in 2011 developed a three-year strategy that formalizes the Bank's efforts to attract,

The Bank's Management Committee reaffirmed standards and processes for equal employment opportunity and workforce diversity and inclusion.

The Bank's strategic planning framework identifies "Valuing Diversity and Teamwork" as one of its six Critical Success Factors and acknowledges the importance of diversity in assembling the talent and creativity needed to achieve performance excellence.

In 2011, the Bank advertised employment opportunities with the following diverse media outlets:

■ LOCAL NEWSPAPERS

Denver Weekly News
Dos Mundos, Kansas City
El Hispano, Denver
The Kansas City Call

■ CAREERBUILDER
PARTNERSHIPS

AmericanIndianJobs.com
AfricanAmericanTimes.net
Femalethiink.com
MSNLatino.com
KoreaDirect.com

■ FEDERAL RESERVE
SYSTEM-WIDE
ADVERTISEMENTS

Asian Life
Black EOE Journal
Hispanic Network Magazine
IMDiversity
Professional Woman's
Magazine

“The Bank has historically defined diversity as being deeper than race, ethnicity or gender, to include diversity of background, thought and experience,” says the Bank’s OMWI director, Donna Ward. “Our strategy provides a clear, focused way to define our future efforts.”

RECRUITMENT

In order to carry out its important public mission, the Bank pursues a diverse candidate pool by recruiting at minority- and women-serving colleges and universities, engaging with minority student groups to communicate career opportunities, participating in urban and women-oriented career fairs targeted toward experienced job seekers, advertising job openings through women- and minority-oriented publications and websites, and partnering with diverse community organizations.

In 2011, the Bank posted job openings on 62 diverse online job boards, including AmericanIndianJobs.org, AfricanAmericanTimes.net, Femalethiink.com, MSNLatino.com and KoreaDirect.com.

On campuses across the region, the Bank has continued to build



As a Protection officer, Edgardo Melo ensures the safety of the Bank’s people, property and assets.



Jeff Legette (right), a manager in the Bank’s Supervision and Risk Management Department, meets with a visitor at a Kansas City Fed community event.

relationships with minority and women student organizations, establishing connections at more than 20 colleges and universities.

And though the Bank has long had recruiting relationships with colleges and universities, these relationships were



Senior supervisors Kari Anderson, left, and Rhonda Patterson, right, discuss an issue in the Bank’s boardroom.

MINORITY *and* WOMEN EMPLOYMENT METRICS

participating on employer panels, conducting classroom and student group presentations, and conducting on-campus interviews.

Recruiting efforts haven't been limited to the Tenth District. On a national level, the Bank has participated in minority recruitment initiatives with other Reserve Banks and the Board of Governors. Staff have also attended national minority professional association conferences and made employment opportunities available at national conferences of the National Urban League, the National Society of Hispanic MBAs, the National Black MBA Association, the Association of Latino Professionals in Finance and Accounting and the Atlanta Consortium.

<i>Performance Measurement</i>	<i>2011 Results</i>
■ Total Number of Minority and Women College and University Events Attended	32
■ Historically Black Colleges and Universities Events Attended	7
■ Hispanic-Serving Institutions Events Attended	21
■ Women's Colleges Events Attended	4
■ Sponsorship or Participation in Urban Career Fairs	5
■ Number of Employment Advertisements Placed in Diverse Media - Electronic	1,607
■ Number of Employment Advertisements Placed in Diverse Media - Print	15
■ Number of Partnerships with Community Organizations - Minority Employment	9

strengthened and expanded at historically black universities, such as Lincoln University in Jefferson City, Mo., and the University of Arkansas-Pine Bluff; Hispanic-serving institutions, such as Colorado State University-Pueblo and the University of New Mexico; and women's colleges, such as Stephens College in Columbia, Mo.

Along with these efforts, the Bank's staff has participated in minority-focused career fairs, hosting information sessions,

MINORITY *and* WOMEN HIRING RATES

<i>Hiring Rates</i>	<i>2011 Results</i>
■ Minority Hiring Rate (Percent) ¹	18.9
■ Women Hiring Rate (Percent) ¹	37.9
■ Minority Full-Time Hires Through Campus Recruiting (Percent)	13.3
■ Minority Internship Hires Through Campus Recruiting and Community Partnerships (Percent)	23.5

¹ Percentage reflects official, management and professional staff.

2011 COMMUNITY AWARDS PRESENTED TO THE BANK

- *Corporate Plus Award - INROADS*
- *Corporate Partner Award - National Society of Hispanic MBAs*
- *2011 Presidential Partner - National Black MBA Association*
- *Silver Level Partner Award - Urban Financial Services Coalition*
- *13 Years of Continuous Corporate Support - Urban Financial Services Coalition*

These efforts have paid off, with the Bank achieving successful minority and women hiring rates in 2011.

RETENTION

Through orientation, coaching, mentorship, training and other initiatives, the Bank strives to retain and develop talented minorities and women.

With a formal mentoring program that has been in place for many years, employees have an opportunity to enter into a professional relationship

with an experienced employee to develop specific skills and knowledge that will promote professional growth. Participation in this program by minority and women employees encourages increased retention and assists with identifying and developing the Bank's future leaders.

In addition, the Bank's existing employee diversity group was reorganized in 2011 as the Employee Diversity Council to better reflect and support the

Bank's Diversity Strategy. The group's activities promote an inclusive workplace culture by encouraging employees to learn more about their colleagues' diverse backgrounds and experiences.

"Each employee in the Bank is responsible for understanding the importance of diversity and for contributing to an inclusive work environment where excellence and continuous improvement thrive," Ward says.



Top: The Bank's Employee Diversity Council and department diversity liaisons promote an inclusive work environment throughout the Bank.

Bottom: The Bank's OMT Steering Committee includes (from left): Josias Aleman, vice president, Human Resources; Erika Ramirez, Human Resources; Donna Ward, senior vice president and OMT director; Krissey Young, vice president, Public and Community Affairs; Janel Frisch, vice president, Financial Management; and Tammy Edwards, vice president, Community Affairs.

In 2011, the Bank also introduced the Diversity Strategy Steering Committee, which comprises senior management and other officers to support the Bank's diversity efforts. The group advises the OMWI director and is responsible for providing leadership, guidance and resources to ensure the Bank's diversity efforts are supported and strategies are achieved.

As a way to support the Bank's workforce initiatives, a new diversity training program was developed in 2011 that is required for all members of management. The training is focused on increasing the awareness of diversity and inclusion as a business opportunity, ensuring that the Bank's diversity strategy and commitment is understood.

COMMUNITY PARTNERS

The Bank engages with numerous diverse community partners across the Tenth District to

achieve its workforce goals. The Bank also provides staff to serve as presenters and subject matter experts to organizations that seek to develop opportunities for minority and women professionals.

In 2011, the Bank expanded and strengthened its relationships with groups such as the Black Achievers Society, the Urban Financial Services Coalition and the Urban League of Greater Kansas City.

Through the years, the Bank has partnered with INROADS Inc., which provides support and internships for minority college students. Since 1991, a senior officer has been closely involved with the organization. Several current Bank employees are INROADS alumni, and the Bank's partnership benefits both organizations, as well as the community.

"In addition to providing substantive internships to high-potential college students, Bank management and Human Resources staff volunteer to provide coaching to INROADS students on business skills needed to be successful in a corporate environment," Ward says.

Gigi Wolf, Public Affairs, works to improve the public's understanding of the Bank.



Bank employees meet regularly with community partners such as the National Society of Hispanic MBAs.

INTERNAL ASSESSMENT and REPORTING

In 2011, the Bank designed and implemented an assessment and reporting system to track the effectiveness and progress of its workforce strategies.

Each quarter, the Bank publishes a Diversity and Inclusion Performance Report that outlines recruitment results, including workforce representation as compared to census data. In addition, the report includes information on minority and women hiring rates, visits to minority- and women-serving colleges and universities, sponsorship and participation in urban career fairs, employment advertisements placed with diverse media, and partnerships with diverse organizations.

The report also measures retention, minority and women participation in the Bank's mentorship program and the results of employee surveys.



This report is reviewed by senior management, who regularly discuss successes, trends and challenges.

Kansas City Fed President Esther George, center, receives an award recognizing the Bank's participation with the Urban Financial Services Coalition.



The Bank has also made information about its inclusion efforts available on its website at www.KansasCityFed.org/diversity. This website includes regular updates, resources, recent news articles, correspondence with members of Congress and events.

CHALLENGES

With these successes in 2011, the Bank is mindful of several challenges:

- **Higher Education Limitations:** The Tenth Federal Reserve District has a limited number of colleges and universities that historically serve women or have a majority of students with minority status. The

Bank has expanded its recruiting efforts beyond the District's geographic boundaries, but many candidates prefer to remain in areas in which they are more familiar.

- **Competition:** Due to demographics and labor market dynamics, the Bank faces significant competition for qualified minority talent within its region. This can be attributed to the region's limited labor pool for the positions for which the Bank recruits.

LOOKING FORWARD

The Bank has identified the following steps as it seeks to improve and enhance its workforce strategies:

- Seek to further expand minority recruitment and retention initiatives.
- Continue to evaluate the minority- and women-serving

colleges and universities where the Bank recruits talent to ensure alignment with Bank needs.

- Seek to increase minority participation in the Bank's mentorship program.
- Continue to work with community partners in order to network and interact with qualified minority candidates and provide resources to further promote professional development of minority talent.
- Continue to partner with employment contract agencies to include diverse slates of candidates for positions sourced through third-party providers.
- Continue to provide resources and information for new employees regarding the Bank's commitment to diversity in all areas during the orientation process.
- Continue to promote open communication with all employees to convey a broad awareness of the Bank's focus on diversity and opportunities to support those efforts.

Practices

A COMMITMENT TO MINORITY- and WOMEN-OWNED BUSINESS INCLUSION

As president and founder of Kansas City-based ECCO Select, Jeanette Hernandez Prenger has shaped her company into one of the fastest-growing businesses in the region. From its start in 1995 as an IT consulting and staffing firm, the company saw its list of clients grow to include customers in all 50 states.

In 2011, ECCO Select added the Federal Reserve Bank of Kansas City to that list. Through the Bank's community outreach and other efforts coordinated by its OWMI, the company became one of several new diverse suppliers to start working with the Bank.

enterprise. We have also been given access to hiring managers for questions or support."

By organizing and participating in business roundtables and community outreach events, developing enhanced communication tools and continuing its focus on the value of diverse suppliers and contractors, the Kansas City Fed's OMWI successfully ensured minority- and women-owned firms were included in the Bank's procurement process.

The Kansas City Fed believes that supplier diversity strength-

ens its operations and enriches the community, and it actively encourages and supports the participation of minority- and women-owned businesses in its procurement process.

"It is extremely important to involve minority- and women-owned businesses in all stages of our procurement processes," says OMWI Director Donna Ward. "From meeting with prospective contractors one-on-one, to ensuring we have a wide diversity of suppliers to choose from, the

In 2011, then-Bank President Tom Hoenig participated in a panel discussion at the Mid-America Minority Business Development Council's annual Business Opportunity Fair.



Jeanette Hernandez Prenger, founder and president of ECCO Select, says the Bank is a "cornerstone account" for her firm.

"We have been very pleased with the Kansas City Fed's commitment to diverse businesses," Prenger says. "ECCO Select has been given the opportunity to work on job orders across the



Kansas City Fed is committed to ensuring we meet the Dodd-Frank Act's inclusion objectives.”

As OMWI director and senior vice president of the Bank's Administrative Services Division, Ward has responsibility for developing and implementing

initiatives to utilize minority and women suppliers. The Federal Reserve System's National Procurement Office (NPO), which is responsible for managing and facilitating contracts with all 12 Reserve Banks, also provides support.



By collaborating with stakeholders on a regular basis, the Bank assists in meeting the needs of diverse employers and suppliers.

DIVERSE SPEND TOTALS

In 2011, the Bank spent a total of \$37.5 million with contractors and suppliers. The amount spent with minority- and women-owned businesses totaled \$4.6 million, or 12.2 percent of total reportable spend. Spend amounts include prime contractors only.

	<i>Amount</i>	<i>Percent</i>
■ Total reportable spend ¹	\$37.5 million	100.0
■ Total diverse spend	\$4.6 million	12.2
Women-owned business spend	\$4.0 million	10.6
Minority-owned business spend	\$618,000	1.6

¹ Reportable spend includes all vendor payments except those made for/to the following: government entities, taxes, rent, utilities, schools or universities, and associations.

The Bank's supplier inclusion efforts have helped firms such as ECCO Select meet larger business goals.

“The Federal Reserve Bank of Kansas City is now a cornerstone account for us,” Prenger says. “We can now leverage our financial services experience to provide similar services to clients across this industry.”

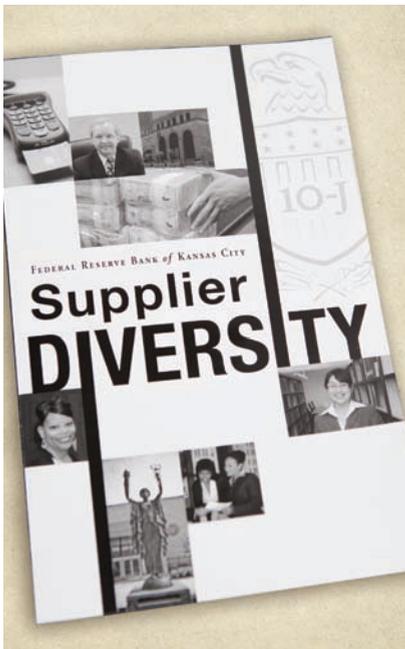
“From meeting with prospective contractors one-on-one, to ensuring we have a wide diversity of suppliers to choose from, the Kansas City Fed is committed to ensuring we meet the Dodd-Frank Act's inclusion objectives.”

Throughout 2011, staff representing the Bank's OMWI and procurement areas participated in several community events to meet with diverse suppliers and to discuss the Bank's procurement processes. These events included the following:

- **PROCUREMENT ROUNDTABLE, FEB. 14**—The Bank's OMWI director hosted members of the Asian American Chamber of Commerce, the Black Chamber of Commerce, Central Exchange, the Hispanic Chamber of Commerce, the Mid-America Minority Business Development Council and the Women's Employment Network to discuss ways to increase the Bank's exposure and access to diverse suppliers.
- **HISPANIC CHAMBER OF COMMERCE, MARCH 18**—The Bank's OMWI director and senior procurement officer met with members of the Hispanic Chamber to discuss supplier diversity best practices.
- **ASIAN AMERICAN CHAMBER OF COMMERCE, MARCH 29**—Members of the Bank's purchasing and human resources staff attended a gathering focused on employment and business opportunities.
- **MID-AMERICA MINORITY BUSINESS DEVELOPMENT COUNCIL, APRIL 28**—A member of the Bank's procurement staff participated in an event designed for corporate buyers to meet and learn about key minority businesses.
- **BUSINESS DEVELOPMENT OPPORTUNITY PANEL, MAY 5**—The Bank's Community Affairs staff hosted this event at the Denver Branch to provide small businesses a chance to ask questions about procurement, lending and technical resources.
- **MID-AMERICA MINORITY BUSINESS DEVELOPMENT COUNCIL'S ANNUAL BUSINESS OPPORTUNITY FAIR, MAY 19**—The Bank's then-president spoke on a panel at this event, which helped minority-owned businesses connect with companies and discuss business opportunities. The Bank's senior procurement officer, purchasing supervisor and a supervisor from facilities management also attended.
- **KANSAS CITY GOVERNMENT CONTRACTING AND PROCUREMENT FORUM, AUG. 9**—This event, attended by the Bank's purchasing supervisor and two other staff members, was designed to showcase public sector opportunities for businesses.
- **GREATER KANSAS CITY CHAMBER OF COMMERCE CONTRACTING FAIR, NOV. 15**—At this event, the Bank held one-on-one appointments with minority- and women-owned suppliers that were identified as potential contractors.
- **FEDERAL RESERVE BANK OF ST. LOUIS BUSINESS OPPORTUNITY FAIR, DEC. 2**—Staff from the Kansas City Fed attended this event to discuss business opportunities with minority- and women-owned firms.
- **SMALL BUSINESS DAY, DEC. 10**—The Bank's Omaha Branch hosted a half-day program that provided information, resources and networking opportunities to minority business owners. Sessions were offered in English and Spanish.
- **MID-AMERICA MINORITY BUSINESS DEVELOPMENT COUNCIL NETWORKING EVENT, DEC. 15**—The Bank's OMWI director, diversity and inclusion coordinator and purchasing supervisor met with local minority-owned businesses.

INCLUSION STANDARDS

In 2011, the Bank developed and implemented the Tenth District Supplier Diversity Policy and Standards, which formalized the Bank's long-standing commitment to diversity practices throughout its operations, including procurement.



As part of its outreach to suppliers, the Bank has developed a Supplier Diversity brochure to inform diverse businesses about procurement opportunities.

In addition, equal opportunity language stating the Bank's non-discrimination commitment in the solicitation, award and administration of contracts was inserted into new contracts as of Jan. 21, 2011. The language further states that by entering into a contract with the Bank, the contractor confirms a similar commitment in its own employment practices.

The Bank also has developed and implemented processes and procedures to ensure contractors are making a good-faith effort to include women and minorities in their workforces. Through the end of the year, good-faith-effort determinations had been completed for 52.3 percent of the Bank's total number of executed contracts in 2011.

ASSISTANCE and OUTREACH

Throughout the year, the Kansas City Fed actively engaged in discussions with a number of minority- and women-owned businesses that did not have an existing contract with the Bank. These efforts resulted in forming new connections that helped the Kansas City Fed expand its pool of potential diverse suppliers.

Kansas City Fed staff was also available to assist any business that had questions about the Bank's procurement process, including how to use the Bank's electronic sourcing application.

Along with providing assistance, the Kansas City Fed hosted and attended numerous community events that supported the goals of minority- and women-owned firms. These events resulted in increased awareness of the business opportunities available to diverse suppliers seeking to do business with the Bank.

In addition, the Bank reaffirmed its memberships with the Hispanic Chamber of Commerce of Greater Kansas City, the Greater Kansas City Chamber of Commerce and the Mid-America Minority



The Bank's Denver Branch hosted a Business Development Opportunity Panel to provide diverse businesses with information about procurement and technical assistance.



Top: Staff at the Bank's Denver Branch discuss small business issues with community leaders at a recent event.
 Bottom: Minority- and women-owned business owners discussed resources and opportunities with several organizations at the Omaha Branch's Small Business Day.

Business Development Council. The Bank also joined the Asian American Chamber of Commerce of Kansas City and the Black Chamber of Commerce of Greater Kansas City to increase its visibility to potential diverse suppliers and contractors.

DIVERSE BUSINESS RESOURCES

To inform minority- and women-owned businesses about procurement opportunities and to assist them in accessing those opportu-

nities, the Bank offers a Web-based self-registration tool for all potential suppliers. The tool allows suppliers to provide information about their company and the goods or services they can provide. This database is actively mined, and a minority- or women-owned business is included in requests for proposals.

This information is shared throughout the entire Federal Reserve System, and a list of

newly registered suppliers who can provide goods or services to the Kansas City Fed is shared with the Bank's business areas on a quarterly basis.

The Kansas City Fed also utilizes a supplier diversity brochure that includes useful information for potential diverse suppliers, including information about the Federal Reserve's business needs, a link to the supplier self-registration tool and contact information for the Bank's purchasing staff. This brochure is made available at all networking and outreach events the Bank participates in.

CHALLENGES

The Bank has identified two specific challenges as it seeks to encourage the participation of minority- and women-owned suppliers in its procurement process.

- **Classification of suppliers:** The lack of a central classification entity makes it challenging to classify suppliers as minority- or women-owned. In attempting to address this challenge, the Bank and the Federal Reserve's NPO have found shortcomings in each data management solution they have analyzed.

- *Lack of suppliers:* In some categories where the Bank seeks to procure goods or services, there is a lack of available minority- and women-owned suppliers. The Bank uses a variety of methods to attempt to identify diverse suppliers, but this challenge remains.

LOOKING FORWARD

The Bank plans to undertake the following initiatives in 2012 to continue its diverse supplier inclusion efforts:

- Plans are under way for the Bank to host a Business Opportunity Fair in 2012. The event will provide minority-

and women-owned businesses with the chance to speak directly with various business areas in the Bank about procurement opportunities.

- The Bank will continue to engage with community and business groups to network with and identify qualified suppliers through community outreach opportunities and technical assistance. In October 2012, the Bank will attend the National Minority Supplier Development Council's Conference and Business Opportunity Fair in Denver, Colo., along with other events throughout the District.

- The Bank will host Small Business Day events throughout the District in 2012 to connect small businesses, including minority- and women-owned firms, to resources, information and opportunities in their communities.



Top: Dell Gines, Community Affairs, leads efforts for Small Business Day events at the Bank's Omaha Branch.



Left: The Bank's Small Business Day at its Omaha Branch provided diverse businesses with numerous opportunities to network and connect with other firms and resources.

Partnerships

A COMMITMENT TO OUTREACH *and* FINANCIAL LITERACY

The Kansas City Fed's boardroom is usually the site of discussions about the Bank's operations, the state of the economy and other issues, but another group meets there once a month to lay the foundation for their future decisions about college, careers and personal finances.



The 24 members of the Bank's Student Board of Directors meet monthly to interact with Bank staff and to develop skills that will help them succeed after high school.

For Kansas City high school student Dominic Davis and the 23 other members of the Bank's Student Board of Directors, the program provides an opportunity to learn more about career opportunities, how the economy works and ways to develop a sense of financial responsibility. The select group of high school students, who represent the urban school districts of Kansas City, Mo., and Kansas City, Kan., meet monthly through the academic year and interact

closely with Bank staff to develop skills that will help them beyond high school.

"I thought it would be a good opportunity for me to jumpstart my career by learning more about a field I want to go into,"



says Davis, a student at North-east High School in Kansas City,

Mo. "It also helps me to learn about budgeting and how to manage credit for college."

The Student Board of Directors is one of many community outreach and financial literacy initiatives the Kansas City Fed undertook in 2011 as a way to reach diverse community members, including youth and adults across the Tenth Federal Reserve District.



Above: Members of the Student Board of Directors learn about financial responsibility through workshops and other Bank events.

Left: Student directors discuss career opportunities with Bank staff.

"Our community outreach programs provide valuable information, resources and connections with the public we serve," says Krissy Young, vice president of the Bank's Public

and Community Affairs departments. "Through economic education initiatives, workshops and other events, the Bank is able to help communities in our District deal with important financial issues."

In 2011, Public and Community Affairs hosted or were partners in nearly 150 financial education and public outreach events that reached more than 13,000 people, including youth and diverse audiences. Throughout the year, the Bank established formal and informal partnerships with diverse and urban school districts throughout the region. The Bank has also worked closely with a number of other organizations that are focused on promoting the interests of minorities and women.

At the Conestoga Magnet School in Omaha, Bank staff have closely partnered with teachers to develop financial education curriculum and special projects that explore economic concepts. In 2011, the Bank

published a book of illustrations and financial advice provided by the students.

"My students really enjoy the Federal Reserve volunteers who come each year," says Erin Ruis, economic specialist at Conestoga Magnet School. "This makes the students feel important. The students love it when community members spend time with them.



The Bank organizes financial literacy events for urban schools at all grade levels.

The (Bank) staff are not only community partners, but have become personal friends."

DIRECT OUTREACH TO URBAN SCHOOL DISTRICTS

Over the years, the Bank has developed partnerships with school districts across the Tenth District to provide information and resources to assist teachers

in their financial education plans.

In 2011, these partnerships were strengthened in urban school districts with a number of new initiatives.

To reach educators who could not bring their classrooms to the Bank or a Branch office for a tour, Public Affairs staff developed an Economic

Exploration Traveling Trunk for secondary-level classrooms that includes a variety of personal finance activities. A pilot program is currently under way with an urban school district, and feedback from the program will be used to improve the trunk for future classrooms.

Staff members at the Bank's Omaha Branch also have partnered with educators and

The Bank has developed innovative financial literacy programs to reach urban classrooms across the region.





Public Affairs staff have developed a traveling trunk of educational materials for use at urban high school classrooms across the Tenth District.

curriculum supervisors to develop a financial literacy course that is required for 10th-grade classrooms in Omaha Public Schools. Bank staff assisted teachers in reviewing course outlines and provided information about the Federal Reserve to incorporate in course materials.

While assisting teachers in developing the new 10th-grade curriculum, Bank staff also provided professional development and support for educators in urban school districts through events such as “Evening at the Fed”—an open-house-style event allowing teachers to come to the Bank after school hours to learn more about Federal Reserve resources. In addition, the Oklahoma City Branch hosted a “Fiscally Fit Bootcamp” for educators to boost their own personal finance knowledge before passing it on to students.

“These events have always been open to any educators from any

background, but we are making specific efforts to promote these events to those who serve urban school districts,” Young says.

Feedback from educators also plays an important role in the



Each Bank office has an Economic Education Advisory Board that provides feedback and ideas for meeting classroom goals. Kansas City's board is pictured above.

Bank’s economic education strategy. Each office has an Economic Education Advisory Council that meets three times a year to advise the Bank on strategies and ideas for meeting classroom goals. The councils represent a diverse range of educators and school districts, and many of the plans developed at council meetings are provided to urban school districts.

Resources for educators are readily available at outreach events hosted at the Kansas City Fed.



Beyond supporting educators, Bank employees have also taken leadership roles at urban schools across the Tenth District. In Oklahoma City, a staff member is involved with an urban high school finance academy that

will launch in 2012. In Omaha, staff members closely partner with the Academy of Finance, which is located at four urban schools, and participate with a superintendent’s council for career education.

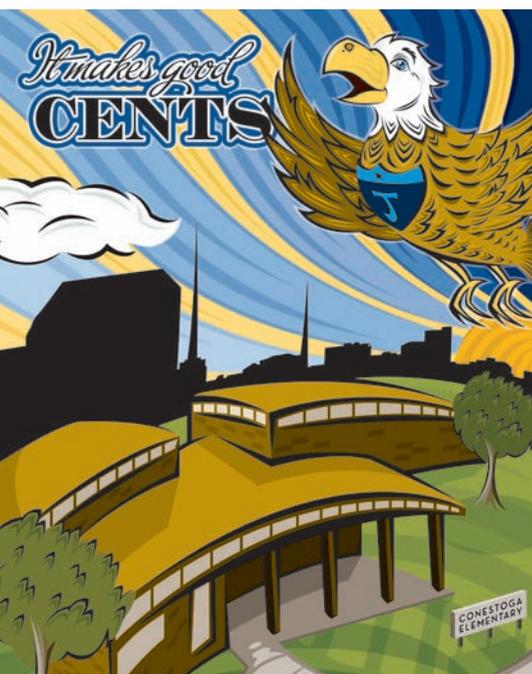
In Denver, staff are involved with the Career and Technical Advisory Council for Littleton Public Schools, where students receive mentoring through mock interviews and participate in entrepreneurship and financial literacy activities. Denver employees also work with Denver Public School’s South High School Academy of Finance, providing speakers, job shadowing opportunities and mentoring.

STUDENT OUTREACH

In addition to working with school districts, the Bank provided numerous financial education opportunities directly to minority elementary and high school students in 2011.

One such initiative is the “It Makes Good Cents” program, which was the result of the Bank’s partnership with the Conestoga Magnet School in Omaha. Bank employees provided financial education lessons for 4th through 6th graders at the school and encouraged students to develop and illustrate their own financial advice. The best tips were assembled into a book that was published by the Bank and provided to each student.

As a result of its partnership with the Conestoga Magnet School in Omaha, the Bank produced a book filled with financial tips submitted by students.



“The students love to work with the Federal Reserve to publish a new book every year,” Conestoga’s Ruis says. “I appreciate the project, because it is a different way I can evaluate student learning. As I watch the students produce their pages, I am amazed at how much information they are retaining from my lessons.”

Another event targeting elementary students is the Bank’s annual “Teach Children to Save Day.” During this event, staff in Kansas City provide financial lessons to urban elementary classrooms across the Kansas City metro area.

At the high school level, the Bank has been involved in a number of high-profile financial education events that reached hundreds of students.

In September, the Bank led programs with both the

As part of the annual Teach Children to Save Day, Bank employees provide financial lessons to students in urban school districts across the region.

Congressional Hispanic Caucus (CHC) and the Congressional Black Caucus (CBC). For the CHC’s Ready to Lead Program, the Bank, in partnership with other Federal Reserve Banks, planned and delivered a financial education program that provided students with information about banking basics, bank products, credit and financing options for college.

The Bank also sponsored a video contest for Kansas City-area high school students to help highlight financial awareness. Student teams produced videos on the topic of “How do hope, engagement and well-being impact financial success?” The winning team received the opportunity to attend the CBC’s Youth Leadership Summit in



Top: Vice President Tammy Edwards (above, center) speaks to students attending the Congressional Hispanic Caucus' Ready to Lead program in September 2011. The program provided students with information about banking, credit and financing options for college.

Washington, while the runner-up received a tour of the Bank, a customized financial education session and a luncheon with Rep. Emanuel Cleaver II, chairman of the CBC.

During the CBC's Youth Leadership Summit, the Bank, in partnership with other Federal Reserve Banks, planned and delivered a day-long financial seminar that provided information about banking, bank products, credit and financing options for college.

The program's success has led to plans for the Reserve Banks to continue their involvement with the CBC in 2012.

The Bank also partnered with Operation HOPE to reach high school students in Denver. In November, the Bank helped deliver financial education sessions at Montbello High School to more than 400 students, who learned banking basics and the

entrepreneurs throughout the Tenth District.

Some highlights:

- Each office assisted with the coordination of state- or community-level "Money Smart" events. These events,



Right: High school students participate in a financial education workshop at the Bank,

importance of using a bank.

In addition, the Bank launched its Student Board of Directors program in Kansas City, which has met tremendous success. By engaging directly with students on the Board, the Bank is helping provide a solid foundation for students' future careers.

"Each of these programs helped provide students with knowledge they can use to make wise financial decisions," Young says.

OUTREACH TO COMMUNITY GROUPS and THE PUBLIC

Along with its outreach initiatives to school districts and students, the Bank in 2011 planned and implemented many programs to reach diverse consumers and

which range from one day to an entire month, offer financial education programs to the public. Presenters at these events include the Bank, financial institutions, government agencies, nonprofit organizations and volunteers.

- In July, the Bank's Omaha office hosted a Refugee Entrepreneurship Pilot Training Program and Listening Session with prospective entrepreneurs from three Omaha refugee resettlement agencies. The session explored ways technical assistance agencies could help bring refugees into the city's small business community.
- The Bank hosted a roundtable

event in August that provided community leaders with consumer information and resources developed by the Bank. The CEO of the Urban League of Greater Kansas City and the organizers of the Kansas City Black Expo provided information on their community development programs.

- In September, the Bank hosted a mortgage assistance program for borrowers who were facing foreclosure. Attendees received assistance from housing counselors and representatives from five major loan servicers. The event was held in conjunction with the Kansas City Black Expo and the HOPE Now Alliance.
- The Bank's Omaha office hosted a Small Business Day in December, which provided information, resources and networking opportunities to minority business owners. More than 250 people attended the event and received assistance on financing, business planning, marketing and technical assistance. Sessions were offered in both English and Spanish.

Bank staff also presented and spoke to numerous diverse audiences throughout 2011, including

the Hispanic Chamber of Commerce of Greater Kansas City, the African American Empowerment Network Conference in Omaha, the UMB Bank Women's Network in Kansas City, the African American Male Success Summit in Kansas City and the "Women and Money" financial education series in Kansas, among others.

CHALLENGES

While 2011 resulted in many successes in terms of financial education initiatives and public and community outreach, several challenges remain for 2012 and beyond.

- *School district budgetary challenges:* One significant challenge the Bank could face in coming years deals with the ability of school districts to

Right: U.S. Rep. Emanuel Cleaver II of Kansas City speaks to a Congressional Black Caucus (CBC) program for high school students organized by the Federal Reserve.

Below: High school students from the Kansas City, Mo., school district participate in the CBC's Youth Leadership Summit in Washington.

continue to fund financial education programs. Developing and implementing financial education programs amid budgetary constraints requires creative and alternative ways to reach educators and students. Several school districts the Bank has partnered with have reported severely restricted time available for educators to participate in professional development activities with the Bank.

- *Classroom time constraints:* As school districts continue to balance the needs of required curriculum instruction and mandatory testing preparation, finding time for financial





U.S. Rep. Emanuel Cleaver II of Kansas City attended a luncheon hosted by the Kansas City Fed for the runners-up of the CBC's video contest. The students also received a financial education workshop from Bank staff.

literacy topics can be difficult. Leveraging resources that can be integrated closely within other curriculum will be vital to address this need.

LOOKING FORWARD

In 2012, the Bank has identified several opportunities to enhance its financial education programs with urban school districts, as well as its community and public outreach initiatives.

- The Bank will evaluate existing curricula and resources to identify culturally relevant examples and anecdotes for inclusion to ensure its materials are as effective as possible.
- Among the new programs slated for 2012 is "Financial Fables." These interactive e-books for young children combine reading, economics and personal finance lessons into stories that are entertaining and educational. Each "Fable"

has related teacher lessons and is aligned with national economic personal finance standards, as well as state reading standards. Interactive features will include activities and games, along with suggested family activities.

- The Bank will also develop webinars and microlessons to help make economic concepts more understandable for all audiences; build broader and deeper relationships with urban school districts; evaluate student-facing programming that can benefit diverse audiences; and continue its partnerships with the CBC and the CHC to deliver financial education programs at their respective annual conferences.
- The Bank will expand its Student Board of Directors program to all District offices to build on the success found in Kansas City.

- Going forward, the Bank will continue to host Small Business Days in the Tenth District to provide resources and information to diverse business owners; host roundtables to include diverse stakeholders in conversations



Students taking part in the Bank's Money Smart Month events show their projects to community members.

about community issues; identify prominent diverse business and community leaders as potential Bank directors and advisory board members; and continue to support diverse community organizations through partnerships.

- The Bank plans to launch a "Summer at the Fed" program to provide low- to moderate-income students in the Kansas City area with a free, two-day economic education day camp experience to learn about fundamental economic principles and personal finance concepts in a fun and unique way. Select participants in the Student Board of Directors program are expected to be hired to assist with programming and activities.

2011 SELECTED FINANCIAL EDUCATION *and* COMMUNITY OUTREACH INITIATIVES

<i>Date</i>	<i>Event</i>	<i>Location</i>	<i>Attendance</i>
■ Jan. 25 and Feb. 10	Omaha Public Schools Resource and Curriculum Specialist Workshop	Omaha, Neb.	62
■ Feb. 10	Hispanic Chamber of Commerce of Greater Kansas City Biz Fest	Overland Park, Kan.	140
■ Feb. 12	Leverage of Omaha/Black Entrepreneurship	Omaha, Neb.	45
■ March 18	Men of Distinction/Introduction to Entrepreneurship	Omaha, Neb.	90
■ March 23	UMB Bank Women's Network	Kansas City, Mo.	90
■ April 2	Money Smart Day	Kansas City, Mo.	237
■ April 23	Money Mania/Jump\$tart Your Money Week	Oklahoma City, Okla.	500
■ April 25	The State of Financial Literacy Education	Oklahoma City, Okla.	75
■ April 26	Teach Children to Save Day	Kansas City metro area	2,150
■ April 30	Money Smart Colorado Week	Denver, Colo.	200
■ May 5	Business Development Opportunities	Denver, Colo.	71
■ May 19	African American Empowerment Network	Omaha, Neb.	200
■ June 24	City of Kansas City, Mo., Bright Futures Workshop	Kansas City, Mo.	92
■ Aug. 23	Community Leader Roundtable	Kansas City, Mo.	60
■ Aug. 24	African American Male Success Summit	Omaha, Neb.	250
■ Sept. 12	Congressional Hispanic Caucus Financial Education Program	Washington, D.C.	200
■ Sept. 15-16	Financing Healthy Food Options Workshop	Kansas City, Mo.	37
■ Sept. 17	Mortgage Assistance Program	Kansas City, Mo.	150
■ Sept. 23	Congressional Black Caucus Financial Education Program	Washington, D.C.	85
■ Sept. 30	Oklahoma Society of CPAs Women's Financial Conference	Oklahoma City, Okla.	150
■ Nov. 3	Banking on Our Future/HOPE Now	Denver, Colo.	425
■ Nov. 4	Oklahoma Society of CPAs/Do it Herself Conference	Tulsa, Okla.	100
■ Dec. 9	Colorado Education for Leadership and Democracy Conference	Denver, Colo.	200
■ Dec. 10	Small Business Day	Omaha, Neb.	250

Appendix

In 2011, the Kansas City Fed's Management Committee, which has overall responsibility for strategic planning and policy direction, reaffirmed long-established standards for workforce diversity and Equal Employment Opportunity (EEO).

The Kansas City Fed's EEO policy reads as follows: "The Bank is an equal opportunity employer. The Bank's Equal Employment Opportunity (EEO) policy applies to all aspects of employment, including

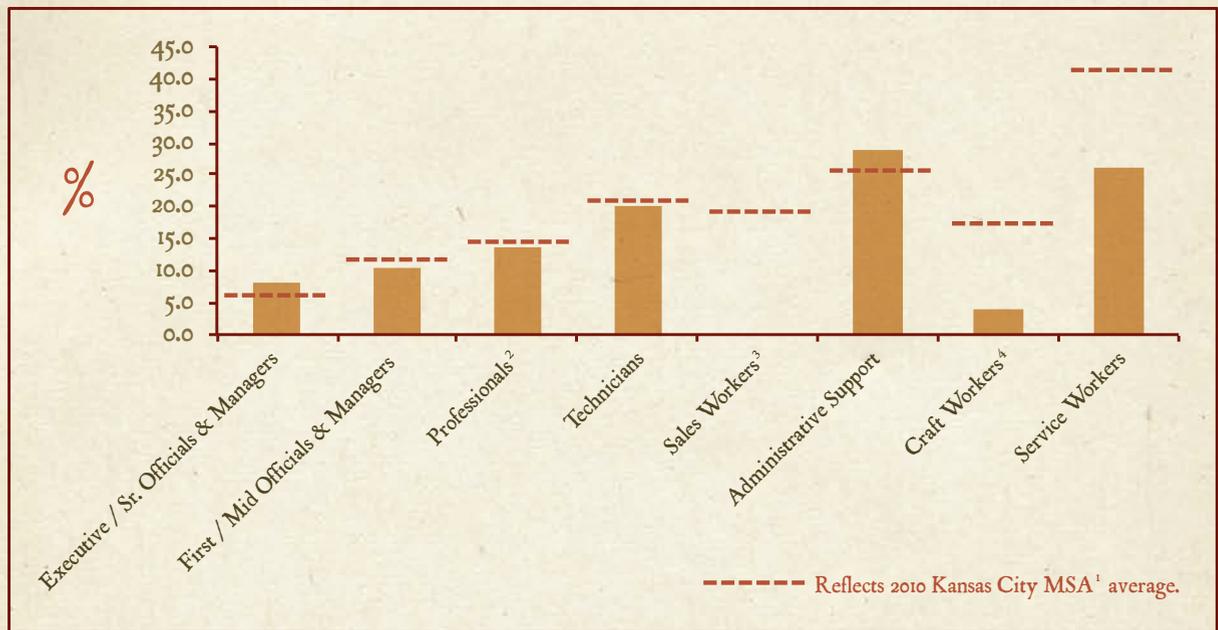
recruiting, hiring, training and promoting individuals. As such, all decisions are made without regard to race, color, religion, sex, national origin, age, disability, sexual orientation or genetic information."

The following pages contain metrics related to the Bank's workforce representation. These charts, along with more information about the Kansas City Fed's commitment to diversity in its people, practices and partnerships, are available at www.KansasCityFed.org/diversity.

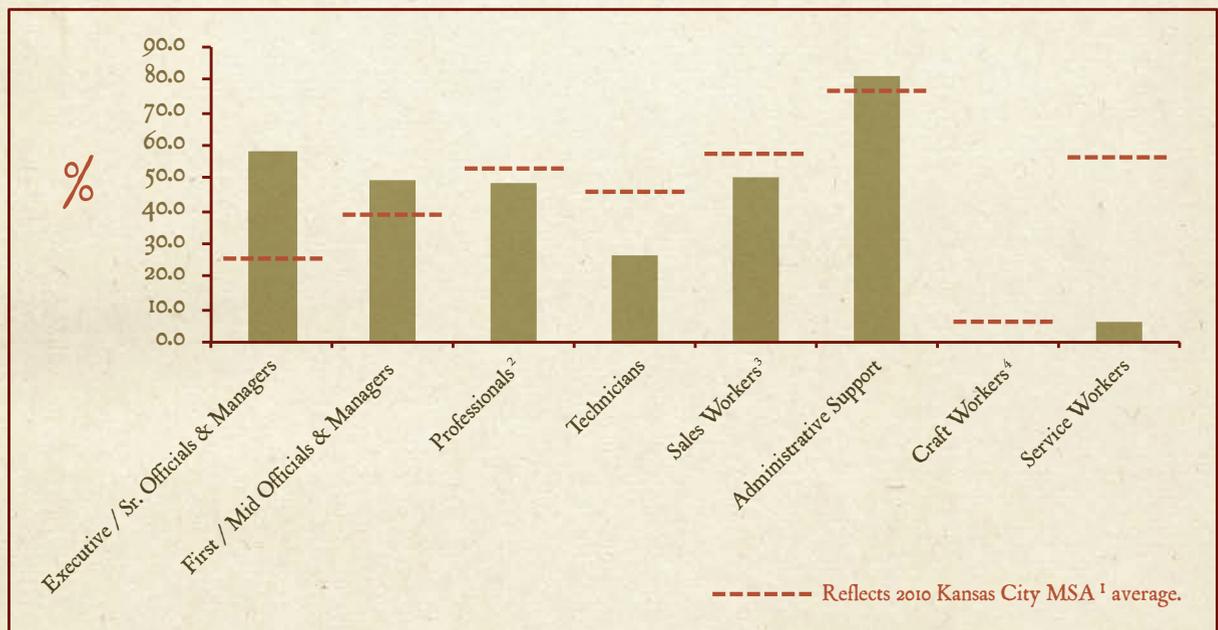


The Bank was recognized in 2011 for its inclusion efforts by several community partners.

2011 MINORITY WORKFORCE REPRESENTATION, KANSAS CITY OFFICE



2011 FEMALE WORKFORCE REPRESENTATION, KANSAS CITY OFFICE



¹Kansas City Metropolitan Statistical Area (MSA) is based on 2010 federal statistics provided by the U.S. Census Bureau.

²Professionals include analysts, economists, examiners and IT professionals.

³Sales workers represent a small number of the total workforce with two total positions in the Kansas City office.

⁴Craft workers represent a small number of the total workforce with 25 total positions in the Kansas City office.

Note: Numbers may not add due to rounding. Information reflects EEO - 1 data as defined by the Equal Employment Opportunity Commission (EEOC). The data is as of August 31, 2011, in order to match our submitted annual EEO-1 report to the EEOC. The report is primarily based on employee self-identification. Per EEO guidance, if race or ethnic information is not self-reported, observer identification may be used. The Federal Reserve Bank of Kansas City follows a standard practice of reviewing employee representation against Census occupational data (broken down by EEO-1 categories and job groups). The Bank uses Census EEO-1 data because measuring performance against the broader Census population data is not comparable; the broader population data does not take into account the demographics of the labor pool that feed into each job category and group.

2011 FEDERAL RESERVE BANK of KANSAS CITY WORKFORCE REPRESENTATION DATA

Female Representation

JOB CATEGORIES	WHITE		BLACK <i>or</i> AFRICAN AMERICAN		HISPANIC <i>or</i> LATINO	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
■ Executive / Sr. Officials & Managers	6	85.7	-	-	1	14.3
■ First / Mid Officials & Managers	88	88.9	5	5.1	3	3.0
■ Professionals	241	86.7	23	8.3	7	2.5
■ Technicians	19	70.4	6	22.2	1	3.7
■ Sales Workers	3	100.0	-	-	-	-
■ Administrative Support	109	72.2	23	15.2	16	10.6
■ Craft Workers	-	-	-	-	-	-
■ Service Workers	8	80.0	1	10.0	-	-
TOTAL	474	82.4%	58	10.1%	28	4.9%

Male Representation

JOB CATEGORIES	WHITE		BLACK <i>or</i> AFRICAN AMERICAN		HISPANIC <i>or</i> LATINO	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
■ Executive / Sr. Officials & Managers	5	100.0	-	-	-	-
■ First / Mid Officials & Managers	101	91.8	4	3.6	5	4.5
■ Professionals	259	86.6	7	2.3	11	3.7
■ Technicians	60	84.5	7	9.9	1	1.4
■ Sales Workers	2	100.0	-	-	-	-
■ Administrative Support	25	65.8	4	10.5	4	10.5
■ Craft Workers	31	93.9	1	3.0	1	3.0
■ Service Workers	69	75.0	12	13.0	7	7.6
TOTAL	552	84.9%	35	5.4%	29	4.5%

NATIVE HAWAIIAN <i>or</i> PACIFIC ISLANDER		ASIAN		AMERICAN INDIAN <i>or</i> ALASKAN NATIVE		TWO <i>or</i> 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>
-	-	-	-	-	-	-	-	7	100
-	-	3	3.0	-	-	-	-	99	100
1	0.4	5	1.8	-	-	1	0.4	278	100
-	-	1	3.7	-	-	-	-	27	100
-	-	-	-	-	-	-	-	3	100
1	0.7	2	1.3	-	-	-	-	151	100
-	-	-	-	-	-	-	-	0	0
-	-	1	10.0	-	-	-	-	10	100
2	0.3%	12	2.1%	0	0.0%	1	0.2%	575	100%

NATIVE HAWAIIAN <i>or</i> PACIFIC ISLANDER		ASIAN		AMERICAN INDIAN <i>or</i> ALASKAN NATIVE		TWO <i>or</i> 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>
-	-	-	-	-	-	-	-	5	100
-	-	-	-	-	-	-	-	110	100
-	-	20	6.7	2	0.7	-	-	299	100
-	-	1	1.4	1	1.4	1	1.4	71	100
-	-	-	-	-	-	-	-	2	100
-	-	5	13.2	-	-	-	-	38	100
-	-	-	-	-	-	-	-	33	100
1	1.1	3	3.3	-	-	-	-	92	100
1	0.2%	29	4.5%	3	0.5%	1	0.2%	650	100%

Note: Numbers may not add due to rounding. Information reflects EEO-1 data as defined by the Equal Employment Opportunity Commission (EEOC). The data is as of August 31, 2011, in order to match our submitted annual EEO-1 report to the EEOC. The report is primarily based on employee self-identification. Per EEO guidance, if race or ethnic information is not self-reported, observer identification may be used. The Federal Reserve Bank of Kansas City follows a standard practice of reviewing employee representation against Census occupational data (broken down by EEO-1 categories and job groups). The Bank uses Census EEO-1 data because measuring performance against the broader Census population data is not comparable; the broader population data does not take into account the demographics of the labor pool that feed into each job category and group.





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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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Financial Report

The Federal Reserve Bank of Kansas City's 2011 audited financial report is at KansasCityFed.org. Past financial reports, and officers, directors and advisory councils listings, also are online.