

TEN

FEDERAL RESERVE BANK OF KANSAS CITY

Spring 2018

Inside:

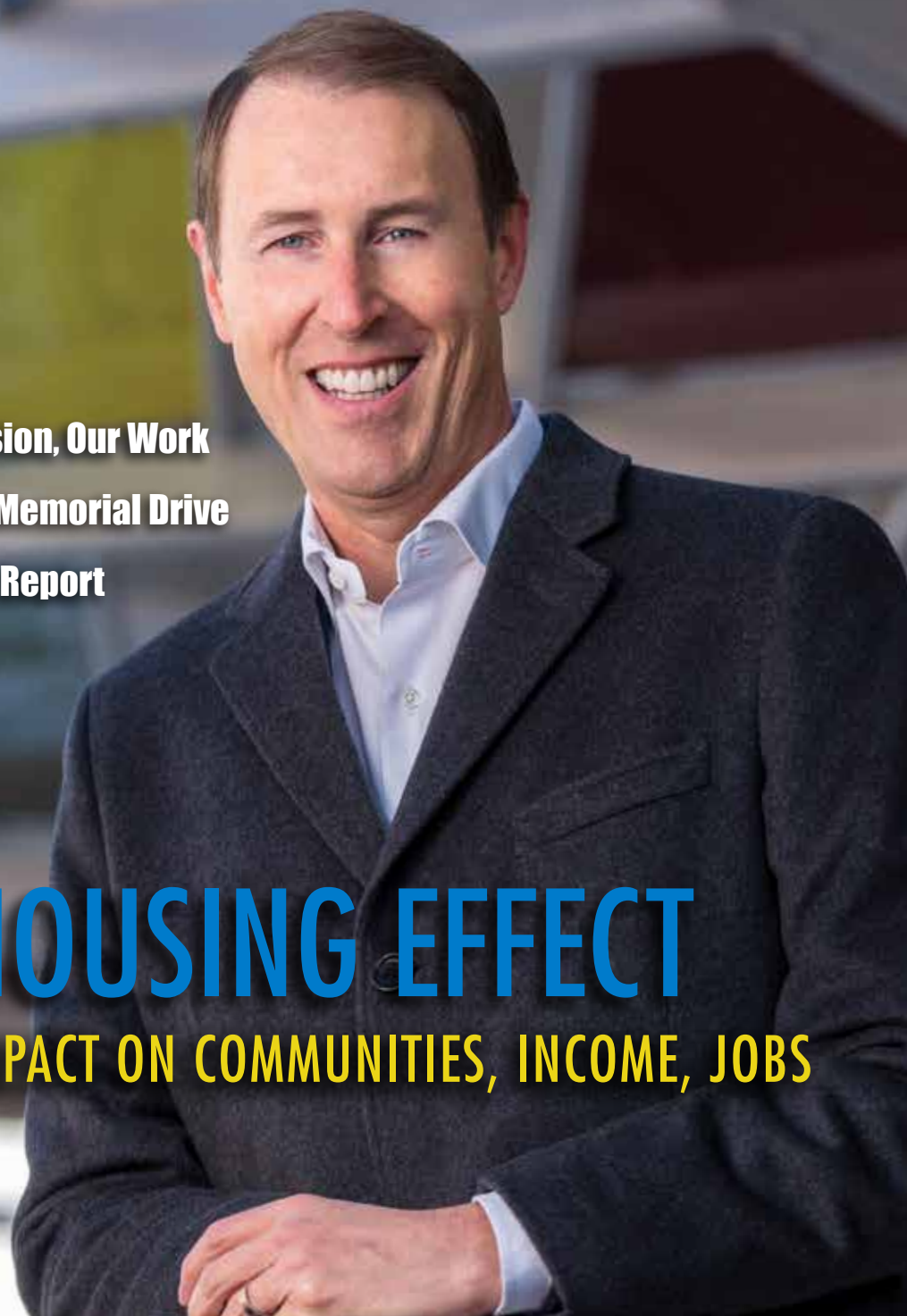
Annual Report: Our Mission, Our Work

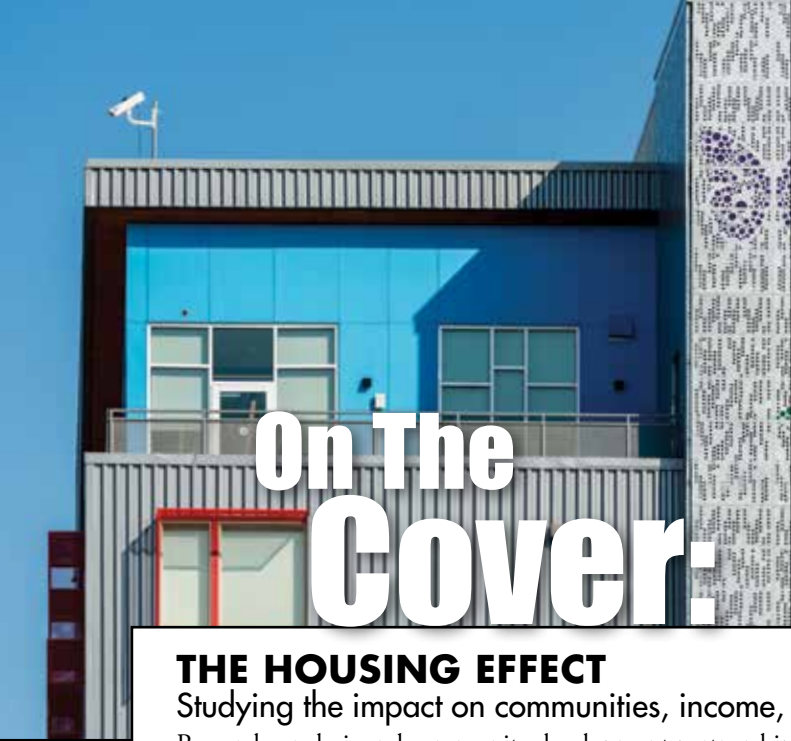
KC Fed HQ: 10 Years at 1 Memorial Drive

Diversity and Inclusion Report

THE HOUSING EFFECT

STUDYING THE IMPACT ON COMMUNITIES, INCOME, JOBS





TEN

Spring 2018

THE HOUSING EFFECT

Studying the impact on communities, income, jobs 4
Research, analysis and community development partnerships demonstrate that stable, affordable housing greatly benefits the broader economy.

On the cover: Cris White, executive director and chief executive officer of the Colorado Housing and Finance Authority.
Photo by David Tejada

FEATURES



10 YEARS AT 1 MEMORIAL DRIVE

A decade after moving, Tenth District HQ is center of service, growth 9
Today the Federal Reserve Bank of Kansas City's head office houses 1,600 employees, nearly twice the number that moved into the newly constructed facility in the spring of 2008.



MEET THE NEW DIRECTORS

Tenth District welcomes five business leaders to key advisory roles 12
As they begin their service, the newest members of the Fed's Kansas City, Denver, Oklahoma City and Omaha boards of directors discuss what they expect to contribute—and what they want to learn.



COMMITMENT TO DIVERSITY AND INCLUSION

2017 Report to Congress 28
The Office of Minority and Women Inclusion, established under the Dodd-Frank Act, ensures that the Kansas City Fed's business practices represent the range of backgrounds and experiences that make up the Tenth District.



2017 ANNUAL REPORT 32

A detailed look at the operations of the Federal Reserve Bank of Kansas City, along with listings of directors, advisory councils, roundtables, officers and more.

IN EVERY ISSUE

- 1 **PRESIDENT'S MESSAGE**
- 18 **MAKING A CONNECTION**
- 24 **NOTES**

Steady, Measured Steps Needed to Sustain Expansion

There is a lot going on at the Fed right now. At January's Federal Open Market Committee meeting, we said our farewells to Janet Yellen, whose term as Fed chair has ended. In February, Jay Powell took the oath of office as the Fed's new chairman. He is an experienced Fed governor whose service on the Board of Governors began in 2012. Having worked with him the past several years, I think you can expect that Fed policy will continue along its current path, and I expect a smooth transition.

Amid these changes at the Federal Reserve, the fundamentals of the U.S. economy are sound. Preliminary estimates suggest that real GDP—our broadest measure of economic activity—grew at an annual rate of just under 3 percent in the second half of last year with robust consumer activity and a solid increase in business spending on fixed investment.

This current expansion has been a long one and it has drawn millions of Americans into the workforce as labor markets have strengthened. Hiring remains solid with payroll employment gains averaging 192,000 per month over the last three months. But the pace of payroll gains has been gradually slowing since the peak in 2014, and I expect those numbers will decelerate further as labor markets continue to tighten and firms find filling job openings increasingly difficult. As labor markets have tightened, compensation for workers has increased. This is a welcome development because wage growth has been fairly modest through much of the current expansion.

Another favorable aspect of the current expansion is that inflation has remained low

even as the economy has experienced above-trend growth and a tightening job market. This has helped workers by allowing wage increases to outpace inflation. Year-over-year inflation is currently running just under the Federal Reserve's objective of 2 percent, although I expect it will begin to rise as labor markets tighten further and global demand pushes up import prices.

Taken together, these current conditions and the near-term outlook appear quite rosy. You might think in a scenario like this, Federal Reserve policymakers would have an opportunity to relax a bit. Unfortunately, that is not the case.

Near-term challenges

Although the financial crisis is now well behind us, and we have largely achieved our objectives for employment and inflation, the stance of monetary policy remains quite accommodative. The federal funds rate, which is the overnight interest rate we target, remains well below estimates of its longer-run value of around 3 percent.

In addition, the Federal Reserve's balance sheet remains extraordinarily large by historical standards due to the Federal Open Market Committee's (FOMC) large-scale purchases of longer-term Treasury and agency



debt beginning in 2007. These programs, commonly referred to as quantitative easing or QE, ended in October 2014 and the process of shrinking the Fed's balance sheet to reduce these holdings started last fall. By the end of this year, only about a quarter of the increase to the Fed's balance sheet resulting from the first round of large-scale asset purchases will be unwound.

As monetary policy accommodation is gradually withdrawn, the economy is getting a boost from fiscal policy related to the recent tax bill. How much of a boost is hard to tell at this stage.

In our surveys of manufacturers across our District, the expectations of future activity have increased since the bill was signed. This is potentially good news for Wichita, where the economy is heavily reliant on manufacturing, a sector that experienced a net job loss last year. Overall, I expect that lower personal tax rates will boost aggregate demand, and that a lower corporate tax rate and the more favorable tax treatment of investment spending will increase aggregate supply, although it is difficult to predict exactly how and when consumers and businesses will respond.

The result is that an uncertain degree of fiscal stimulus is arriving at the same time the economy is operating at or beyond full employment and monetary policy remains accommodative. And because of that, it is important that the FOMC continues on its current path of policy normalization with gradual increases in the target federal funds rate. The median projection from the FOMC's Summary of Economic Projections calls for about three, 25-basis-point hikes in the federal funds rate this year and about the same number next year. This is a reasonable baseline unless the outlook changes materially.

In the longer run

While threading this policy needle will be a key challenge over the next couple of years, there are also a number of structural developments that could pose challenges over the longer run. The nature of these structural issues is beyond the scope of monetary policy to address, but they will nevertheless have implications for economic growth, employment and inflation and deserve careful monitoring.

Among these is the slowdown that we have seen over the last several years in the economy's potential growth rate. This is the rate of growth consistent with maintaining the Fed's dual mandate of price stability and full employment. By most estimates, this rate was falling before the financial crisis and is currently believed to be about one-half of what it was in the 1990s. This slowdown in the economy's potential growth stems from slower growth in the size of the potential workforce and the productivity of that workforce. Due largely to demographic changes, especially the retiring of the baby boom generation, the annual growth rate of our labor force is only a little better than one-third of what it was in the 1990s. At the same time, productivity growth is about one-half what it was in the 1990s. Both of these unfavorable trends are projected to persist over the next decade. While these projections are highly uncertain, if they prove accurate, we can expect, among other things, a slower rate of improvement in living standards relative to the pre-crisis period.

Slower potential growth also has some troubling implications from a monetary policy perspective. For one thing, it has led many economists to lower their estimate of the interest rate that is consistent with full employment and price stability. Currently, the FOMC's median projection for the longer-run

federal funds rate is around 3 percent, which is considerably below what it was only a few years ago. This means that a future FOMC may have substantially less room to lower the federal funds rate should conditions warrant an increase in monetary stimulus. In such situations, for example a future recession, it might prove helpful for fiscal policy to step in and provide a countercyclical stimulus.

But that leads me to another structural challenge—the unsustainable trend of government debt. This will make it difficult for fiscal policy to play that countercyclical role.

The federal budget deficit increased as a share of GDP for the third straight year in fiscal 2017, and it was widely expected to creep higher over time even before the recent tax cuts. Demographic trends will raise government spending as an increasing share of the population receives retirement and health-care benefits. Additionally, health-care costs are projected to grow faster than the economy, as are the federal government's net interest costs.

In all, federal debt held by the public, which was equal to about 35 percent of GDP before the recession, is now up to 75 percent of GDP. It is projected to exceed its historical (WWII) peak of 106 percent by the 2030s, barring a shift in fiscal policy. The nation remains far from a fiscal crisis, but changes will be necessary to put government debt on a sustainable trajectory in the coming decades. The sooner these changes can be made, the less drastic they will need to be and the better positioned fiscal policy will be to take a more prominent countercyclical role in any future downturn.

Conclusion

In closing, over the longer run, demographic trends and sluggish productivity

point to the possibility of slower economic growth and higher fiscal deficits. These structural developments have the potential to complicate monetary policy. If the neutral rate of interest remains historically low, monetary policy may have less scope to stimulate the economy in a downturn without again resorting to unconventional policies such as asset purchases. A natural response to such a situation would be to rely more heavily on fiscal policy. However, the longer-run fiscal outlook suggests that fiscal policy may be similarly constrained. Thus, it is critical that the longer-run budget issues associated with our aging population be addressed sooner rather than later.

In the near term, the good news is that the U.S. economy is currently growing at a moderate pace, with full employment and price stability. As always, some regions and industries are doing better than others but, on the whole, economic conditions are good. At the same time, monetary policy remains accommodative. To sustain the expansion without pushing the economy beyond its capacity limits and creating inflationary pressures, it will be important for the Federal Reserve to continue its gradual normalization of interest rates.



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

This text is adapted from a speech President George delivered Feb. 8, 2018, before the Wichita Independent Business Association.



THE HOUSING EFFECT

STUDYING THE IMPACT ON COMMUNITIES, INCOME, JOBS

For a December 2017 meeting of the Federal Reserve Bank of Kansas City's Community Development Advisory Council (CDAC), members traveled to Omaha, Nebraska, to get an up-close, ground-level look at the region's economy.

Members of the council - community development professionals from across the region - toured Seventy Five North, a model of purpose-built housing that blends affordable dwellings, child care, an elementary school and social services into a single community setting.

Along for the tour was council member Cris White, executive director and chief

executive officer of the Colorado Housing and Finance Authority (CHFA). White's organization has completed projects similar to Seventy Five North, and for him the Omaha tour provided an opportunity to learn about other successful housing developments in the Kansas City Fed's seven-state footprint.

"It's amazing to see these things go up," White said. "An apartment building gives people, individuals or a family a safe environment and a way to be housed economically so they aren't rent-burdened. What that gives to the community is stable tenants who are buying groceries, going out to

Left: Cris White, a member of the Bank's Community Development Advisory Council, confers with Mark Howard of the Denver Housing Authority.

eat and who are involved in their community.”

Research by the Kansas City Fed shows that stable, affordable housing benefits the broader economy. As a key part of its work, the Bank studies and analyzes housing on a daily basis to support overall financial stability. Through its community development programs and its advisory councils, including the CDAC, the Bank also conducts outreach and builds partnerships related to improving housing overall.

“Affordable housing is economic development,” White said. “When housing is created, construction and other jobs are created. People who are housed affordably have more money to spend on other essentials, food and health care.”

How and why the KC Fed studies housing

Issues tied to housing weave throughout the work of the Bank in its mission to conduct monetary policy, supervise and examine banks, and provide financial services. Economic data are regularly provided to Bank President Esther George, a member of the Federal Reserve System's Federal Open Market Committee (FOMC), which meets roughly every six weeks to set monetary policy and determine interest rates for the nation.

“Growth of real gross domestic product (GDP) is an important measure of a nation's economic health, and the housing sector is typically one of GDP's largest components,” said Jordan Rappaport, a Kansas City Fed senior economist who specializes in studying the housing market. “For the United States, it accounted for one-sixth of GDP in 2017. Three quarters of the U.S. housing sector in 2017 took the form of consumption: the aggregate rent from tenant-occupied housing and the estimated aggregate rental value of owner-

“Growth of real gross domestic product (GDP) is an important measure of a nation's economic health, and the housing sector is typically one of GDP's largest components. For the United States, it accounted for one-sixth of GDP in 2017.”
- Jordan Rappaport

occupied housing. The remaining quarter of the U.S. housing sector in 2017 took the form of investment: spending on the construction of new houses and apartments, spending on renovating existing houses and apartments, and brokers' commissions on home sales. Gauging the health of the U.S. economy thus depends in part on understanding what is driving housing consumption and investment.”

Rappaport's most recent research in *The Macro Bulletin*, “Pent-Up Demand and Continuing Price Increases: The Outlook for Housing in 2018,” indicates a comparatively slow growth of housing consumption relative to previous years, despite briskly growing consumption of other goods and services other than housing. These factors indicate that pent-up demand for housing may be increasing, both among existing households wishing to move into larger apartments or houses and among individuals who are ready to form new households.

Rappaport notes that construction is not keeping pace with demand, which could have to do with a low supply of construction workers in this time of relatively low unemployment.

“The Federal Reserve’s mandate is price stability and maximum employment,” Rappaport said. “The ability of the economy to adapt to changes in technology right now depends on the ability of people to move, and that depends on housing. We have a big problem with (available housing) right now.”

Rappaport pointed to Denver as an example of a city in the Tenth District—the seven-state region served by the Kansas City Fed—that has a housing shortage causing prices to rise. At the Kansas City Fed’s Denver Branch, associate economist Sam Chapman looks closely at issues affecting the economy in the region comprising Colorado, New Mexico and Wyoming. Housing is one of the top three issues he monitors regularly. He compiles “databooks” of regional economic indicators, including housing market information, to provide to Bank policymakers and the public on a regular basis.

When rumblings of housing affordability issues in Denver reached Chapman several years ago, he delved into data related to the issue to develop an index that would measure averages of affordability. Employers in the Denver area were concerned about their own employees being able to find homes.

“This was especially true in the mountain regions in Colorado,” Chapman said. “We were definitely hearing that affordability was a big issue.”

Chapman’s research ultimately determined that it was less affordable to live in the region than in the United States as a whole.

“Our role is to shed some light on affordability, how it can be measured and the proper way to think about it,” he said. “We are looking at the overall health of the economy and housing affordability is an important factor.”

Another Kansas City Fed senior economist, Kelly Edmiston, looks at housing issues largely as they affect low- to moderate-income (LMI) communities.

“When I think of the most important issues facing the LMI communities, housing

is critical,” said Edmiston, who specializes in community development research. “One of the most basic needs someone would have is housing.”

Edmiston’s research weighs a variety of factors and assesses the impact those factors have on neighborhood stability.

“Normally people think of the Federal Reserve as macroeconomists, but we do have economists interested in other areas, such as regional economics and community development,” Edmiston said. “We want community development organizations and the general public and policymakers to be well-informed about issues affecting the LMI community—and adequate and affordable housing is a huge part of that.”

Informed supervision

The Kansas City Fed’s Supervision and Risk Management Division oversees and examines Tenth District commercial banks. Within this division, surveillance and risk analysis staff monitors data to look for trends that may impact the health of banks and, by extension, their communities. Chuck Morris and Jim Wilkinson lead this function at the Kansas City Fed. The surveillance department serves two critical purposes: to help bank examiners better understand banking conditions in the Tenth District and the nation, and to update senior management, including the Bank’s president, on banking conditions that could affect the economy.

“For example, we track bank holdings of mortgages and mortgage-related securities, their values, and whether they are for new home purchases or to refinance a home,” said Wilkinson, an assistant vice president and economist. “The health of housing markets has a direct effect on banks through the effect on the quality of mortgage-related assets. The housing market also is an indicator of current and future local business conditions, which is likely to affect bank performance.”

Using several databases, analysts and risk

“What that gives to the community is stable tenants who are buying groceries, going out to eat and who are involved in their community.”

- Cris White

The Zephyr Apartments development is seen as one example of affordable housing in the Denver area.

PHOTO BY DAVID TEJADA

specialists have access to information about local market conditions and data for about 60 percent of all mortgages across the country.

“This is an enormous data set that comes in monthly by the terabyte,” Wilkinson said. “It includes hundreds of millions of data records that can help tell a story about what is happening in the local economy.”

Morris, a vice president and economist, agreed.

“In general, if banks make more or larger mortgages, it can be an indication that the local market is doing well,” Morris said. “If home or mortgage values are going down, it could be an indicator of a decline in the local economy and that could, in turn, potentially lead to a decrease in the credit quality of business loans and commercial real estate loans.”

Supporting partnerships

In addition to analyzing millions of data points, the Kansas City Fed builds partnerships through community development and collects anecdotal data from those closely involved in housing issues. Gigi Wolf, who coordinates economic education and outreach at the Bank, and Jeremy Hegle, an adviser in the Bank's community development function, work in tandem to support outreach related to housing. They build partnerships to support the Bank's understanding of obstacles that can impact the financial stability of communities within the Tenth District.

A recent conference organized by the Kansas City Fed, the Federal Deposit Insurance Corp. and the Alliance for Economic Inclusion is an example of how the Bank fosters outreach and conversation related to financial stability with a special focus on housing. The conference, "Fighting Homelessness in the Kansas City Metro with Safe and Affordable Housing Options," covered a variety of topics related to housing, including youth homelessness, housing and economic mobility, affordable rental housing and safe and affordable homeownership options for moderate-income households.

Facilitating conversations related to topics that impact financial security, such as insecure housing, is part of being a good community partner, Wolf said.

"We can produce, develop and host trainings all day long, but if we are not connected to our community partners, we're not as effective," she said. "Part of being a good community partner is recognizing that we are all in this together. We share similar goals of creating financial empowerment."

For Hegle, one of five Fed community development advisers across Kansas City, Denver, Oklahoma City and Omaha, understanding housing is fundamental.

"Housing is a key component of the work we do," Hegle said. "Without affordable housing, jobs and transportation won't get someone very far. Housing is a core component of wealth building."

For owners and renters, housing is often the most expensive part of a household budget. Areas that lack affordable housing also have trouble attracting a workforce.

"It's a challenge from the community development perspective, especially in rural communities," Hegle said. "If you don't have the housing, you can't attract the workforce. Without the workforce, you can't get the housing. It's a chicken-or-the-egg situation."

The Kansas City Fed's advisory councils, including the CDAC, provide a valuable real-world perspective on economic challenges across the region. Council meetings are convened at regular intervals and members share observations from their specialty areas with the Bank and have the chance to hear from others on the council.

As a member of the CDAC, White enjoys sharing best practices with other members. His organization, CHFA, funds family housing, transitional housing, supportive housing for homeless who require support services and home ownership financing for primarily first-time home buyers. White shares his expertise with Bank representatives who can use his feedback to better understand what is going on in White's field—and his community.

"We've learned that a stable place for people to call home is the first step in helping them overcome challenges they are experiencing," White said. "If you can live affordably, you have a better chance of affording transportation and nutrition."

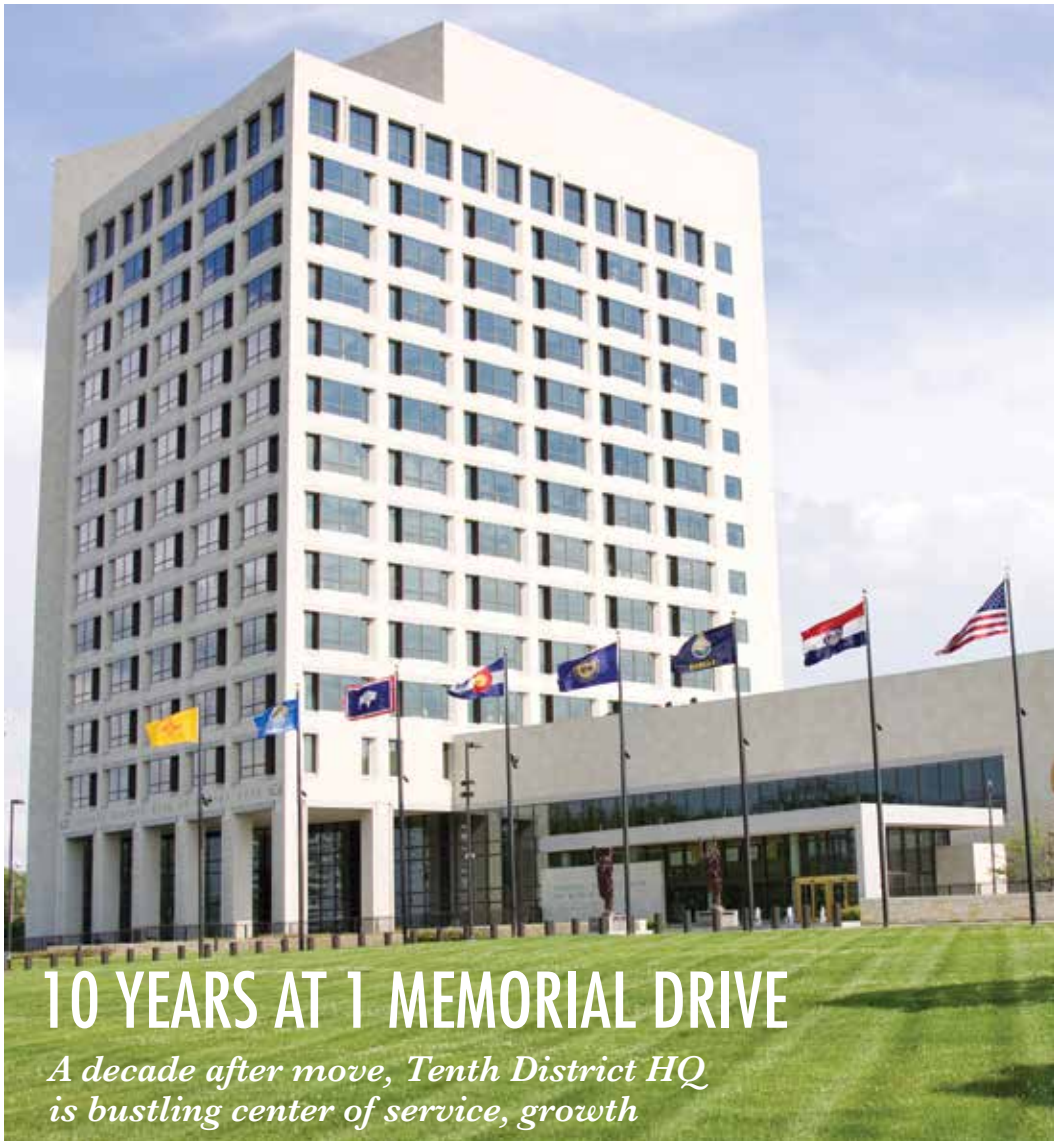


SARAH POPE, CONTRIBUTING WRITER

FURTHER RESOURCES

The Kansas City Fed's Regional Databooks and senior economist Jordan Rappaport's January 2018 *Macro Bulletin* on housing are available at www.kansascityfed.org/publications/research.

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



10 YEARS AT 1 MEMORIAL DRIVE

A decade after move, Tenth District HQ is bustling center of service, growth

This spring, the Kansas City Fed marks the 10th anniversary of the opening of its head office, the newest headquarters building in the Federal Reserve System.

The 600,000-square-foot facility at 1 Memorial Drive houses 1,600 employees and sits near Kansas City's historic Union Hill area, where the southern edge of downtown meets midtown. It occupies a prominent hillside just south of the National World War I Museum and Memorial that once was the site of St. Mary's Hospital. The headquarters building and grounds are bounded by Main Street to the east and Penn Valley Park to the west.

The building was designed by Henry N. Cobb, one of the founding principles of the New York City architectural firm Pei Cobb Freed & Partners. The limestone-clad tower comprises 12 office floors above a two-story base containing space open to the public and guests, and room for operational activities.

The public can enter the building on the first floor, which houses a cash-processing area and vault; the Money Museum, a 3,000-square-foot, hands-on exhibit space; and a theater where visitors can watch a short film about the Federal Reserve.

The Bank's conference center is on the



In 2007, construction workers installed a time capsule in a corner of the building.



Joining Bank President Tom Hoenig (second from left) at the building dedication: (from right) Builder and former Kansas City Board chairman Terry Dunn, Deputy Board Chairman Paul DeBruce and architect Henry Cobb.



In April 2007, Kansas City Fed leaders and construction officials participated in a building “topping” ceremony that included placing a tree on the uppermost level at that stage. On page 9: The Kansas City Fed headquarters today.

second level, and since its opening in 2008, the Bank has hosted 16,000 events for more than 400,000 people. These events include numerous community programs, research meetings and symposiums, and meetings for Federal Reserve staff from across the country.

Growth over the years

In March 2008, Kansas City Fed staff began relocation from the bank’s former headquarters at 925 Grand Blvd. The move to 1 Memorial Drive was completed in June of that year. In the years since the new headquarters opened, most office floors

have been reconfigured, and the parking garage has been expanded to accommodate new business lines and changes in the workforce. The Bank’s Kansas City workforce—874 in 2008—has nearly doubled as several Federal Reserve System responsibilities have moved to Kansas City to take advantage of operational efficiency and the city’s location in the central United States.

Many of these additional responsibilities are within the central bank’s information technology function. The Kansas City Fed has overseen System initiatives to centralize operations, including the transition of local IT help desks to the National Service Desk in Kansas City and the migration of most Reserve Banks’ servers and networks to a national operations structure.



After the building opened in 2008, Kansas City Fed employees were invited to view artist Tuck Langland's bronze statues at the building's entrance.



Money Museum visitors can learn about the economy through interactive exhibits, view cash processing, see rare coins and gold, and get a look at the bank's vault.

In 2011, the Kansas City Fed established a Treasury Services Division to house the growing areas of support provided to the U.S. Treasury. This includes program management, business analysis and other leadership and operational services to Reserve Banks and U.S. Treasury business partners.

The Bank has effectively managed growth and change while maintaining a high level of performance in the Federal Reserve's Tenth District, which includes Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming.

Headquarters facts and figures

- If you unstacked the 14 floors, the building would cover more than 10 football fields.
- The Spirits of Commerce and Industry, the two large-scale figurative bronzes at the building's entrance, were created by artist Tuck Langland and are based on relief sculptures at the Bank's former headquarters at 925 Grand Blvd.
- The bank's vault has a 540,000-cubic-foot capacity, enough to hold nearly 100 railroad cars.
- 425—The number of employees in 2008 who are still working for the Bank.
- 700—The number of cameras throughout the facility.

T

ANA NIXON, CONTRIBUTING WRITER

FURTHER RESOURCES

More information about the Kansas City Fed's headquarters is available at www.kansascityfed.org/aboutus/kcfedinformation.

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

BROAD REPRESENTATION, REGIONAL ROOTS

DIRECTORS PROVIDE VITAL INSIGHT FOR KANSAS CITY FED

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

These independent regional Reserve Banks, which also have affiliated Branch offices, are a direct recognition of the value that Americans place on limiting political influence and ensuring broad representation within a central bank. Before the Federal Reserve System was established, the United States made two attempts at a central bank. Neither survived, in part because large areas of the country—especially along the frontier and in the South—felt that the institutions were too closely aligned with the power centers of the Northeast.

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

Meet the Tenth District directors who began their terms of service in 2018.



PATRICIA J. MINARD
KANSAS CITY DIRECTOR



PATRICIA J. MINARD

As a licensed pilot and aviation advocate, new director Trish Minard sometimes is, quite literally, in the clouds. However, when it comes to sharing the story of how community banks are serving customers in the nation's heartland, her feet are firmly on the ground.

Minard, president and chief executive officer of Southwest National Bank in Wichita, was elected this year to the Federal Reserve Bank of Kansas City's Board of Directors. She said she was excited to join the board, in part because she gets to set the record straight about how community banks operate.

"During the Great Recession, banks all got painted as being bad guys," Minard said. "But community banks are different than the big investment-money banks—they serve their role, and they're important too—but we, as community banks, would never harm our customers. And I just want to give a voice to that and represent Wichita, south-central Kansas and community banks."

Southwest National Bank has eight locations in the Wichita area. Minard joined Twin Lakes National Bank in 1999 as a compliance and loan

review officer and became president in 2001. She led Twin Lakes' merger with Southwest National. Earlier in her career, Minard was a national bank examiner for the Office of the Comptroller of the Currency and a certified public accountant specializing in banking.

She has been a member of the Kansas Bankers Association Bank Management Committee and the Kansas City Fed's Community Depository Institutions Advisory Council.

Away from banking, Minard's passion for aviation is well-known in Kansas, as are her efforts to encourage more women to become aviators. Officially she is "a commercial multiengine seaplane instrument-rated pilot," and she participates in the Air Race Classic, an annual transcontinental air race for female pilots.

On the Kansas City Fed's board, Minard is hoping to learn as much as she shares.

"I'm completely thrilled with this opportunity," she said. "I think I'm going to gain a much greater understanding of the economy and the economic drivers, and I want to bring that home to my bank and my community and try to improve both."



DENNY MARIE POST
DENVER DIRECTOR

DENNY MARIE POST

With Denny Post's addition to the Denver Branch Board of Directors this year, the Kansas City Fed gained a highly experienced voice from the restaurant industry and the retail sector of the economy.

Post is president and chief executive officer of Red Robin Gourmet Burgers and Brews, a 570-unit chain of casual dining restaurants in the United States and western Canada. The company is headquartered in Greenwood Village, Colorado.

"My primary responsibility is to be the general manager of the organization and work with our executive team to deliver on our commitments and our strategic projects," Post said. "And because we're a publicly-traded company on Nasdaq, I also spend quite a bit of time talking with shareholders, investors and analysts. I do my very best to get out into field as much as I can."

Post joins the Denver board at a time when Red Robin is approaching a significant milestone.

"We're going to be 50 years old next year, and we pride ourselves on serving guests 'from 2 to 92,' so it's very multigenerational—families, adults, kids," Post said. "All of them come to us for

fabulous burgers and great service. Our mission is to make everyone better for being here—team members, guests and shareholders alike."

Post joined Red Robin in 2011 and held several executive roles, including chief marketing officer, before becoming the company's top executive. Her executive and senior management experience spans a wide range of corporations, including T-Mobile USA, Starbucks, Burger King and the KFC, Pizza Hut and Taco Bell brands of the YUM! organization.

In addition to being the chief executive at Red Robin, Post is an active leader in restaurant industry organizations, including serving as vice chair of the Women's Foodservice Forum's board of directors. She said becoming a director on the Kansas City Fed's Denver board represents "an opportunity to engage with others outside my industry."

"So for me it's a great opportunity to interact with those who come from other parts of business, along with those from banking and finance," Post said. "It's a great opportunity to get other perspectives. Serving as a director will help me stay aware of economic trends, and it also will help me give voice to the challenges of retail and restaurants."

CHRISTOPHER C. TURNER

Community banks are known for providing personal attention that resonates with customers. That level of “touch and service” is keenly important to Christopher Turner, president and chief financial officer of The First State Bank in Oklahoma City.

Enhancing awareness of the missions and challenges of community banks is one objective that Turner brings to the Fed’s Oklahoma City Branch Board of Directors.

“Clearly I want to bring a sense of the true dynamics of running a community bank,” Turner said. “I talk to a lot of people who don’t realize that a community bank has all of the same moving parts as a large institutional bank; we’re just smaller. We have all of the same compliance conditions, all of the same regulatory requirements. I want to bring awareness of that challenge.”

Turner joined the board this year, but he gained hands-on exposure to the nation’s central bank through service on the Kansas City Fed’s Community Depository Institutions Advisory Council.

At his bank, Turner oversees all operational, regulatory and financial business other than lending. The lending side of the bank is directed by Turner’s business partner,

David Durrett, who is chairman and chief executive officer.

“We are a traditional community commercial bank,” Turner said. “We’re more about touch and service and feel than we are about rate sensitivity and getting volume and getting numbers of people. We want to know every single client we do business with.”

Turner is a native Oklahoman whose career in banking includes 24 years with Local Oklahoma Bank before its acquisition by International Bank of Commerce Bank (IBC Bank) in 2004. After retiring from IBC Bank in 2007, Turner and two partners acquired The First State Bank.

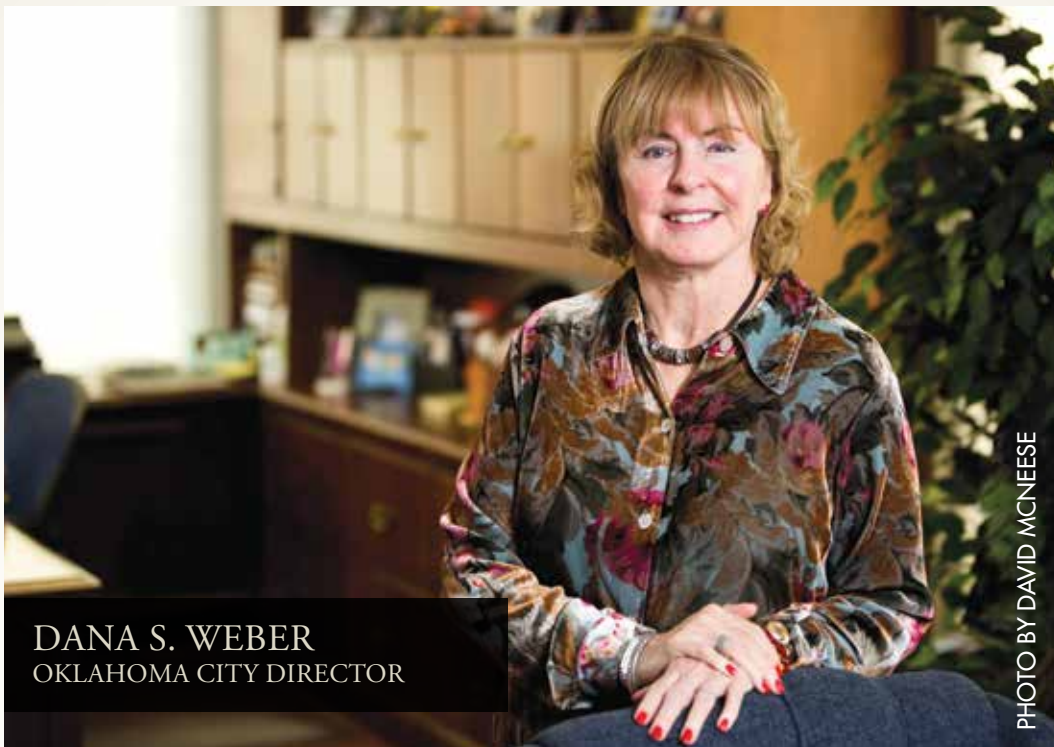
Turner said that he is excited about sharing his insight as a veteran banking executive. Also, as a minority person in banking leadership, he hopes “to demonstrate to others that anyone can aspire to do this.”

“I hope to bring back information that helps my bank better understand the dynamics of the Fed ... how it impacts us as an institution, how it impacts our customers,” he said. “Not just looking at the Fed as a regulatory entity, but looking at it more as a partner in this banking environment, where we all ultimately want the same thing—which is to provide the highest-quality and best service that we can.”



CHRISTOPHER C. TURNER
OKLAHOMA CITY DIRECTOR

PHOTO BY DAVID MCNEESE



DANA S. WEBER
OKLAHOMA CITY DIRECTOR

DANA S. WEBER

As the top executive of a specialty steel tubing manufacturer, Dana Weber has a unique perspective on various aspects of the economy. Now, after being appointed to the Kansas City Fed's Oklahoma City Branch Board of Directors, she is eager to share her insight while learning as much as possible about the Federal Reserve System and its impact on people, businesses and communities.

"I'm not a banker, but the thought of being able to learn about the Federal Reserve just excites me," Weber said. "Number one, I enjoy the opportunity to be involved in something where I can make a contribution. And I particularly enjoy public service, and especially for the good of our country. ... I want to take away a much better understanding of how our very sophisticated central banking system works. I place a lot of value on gaining that perspective and understanding."

Since 2011, Weber has been chief executive officer of Webco Industries in Sand Springs, Oklahoma. The company, which produces highly customized steel tubing products, generates annual revenue of about

\$400 million. It has about 1,200 employees and operates six manufacturing plants and two distribution facilities in North America. Weber has been president of the company since June 1995 and has had various positions with Webco or its predecessors since 1977.

Weber grew up around manufacturing. The steel tubing company that evolved into Webco was founded by her father, Bill Weber. So in her service as a Fed director, Dana Weber wants to share the perspective of someone who knows firsthand the economic importance of manufacturing and related industries

"I have a great deal of respect for my father," Weber said. "I grew up with him telling me that there are three fundamental wealth-generating activities in the world—extractive industries, agriculture and manufacturing. And every other activity, all very important, are in support in some way of those three activities. So as a country, as a state, as a region, as a world, we need to do everything we can to support those three activities. Bringing that manufacturing perspective to the Federal Reserve—my own experiences and reaching out to my contacts in manufacturing—is what I'd like to do."

DWAYNE SIECK

Since being selected in November as a director for the Kansas City Fed's Omaha Branch, Dwayne Sieck's title at Mutual of Omaha Bank has changed. What hasn't changed since his promotion is his desire to learn about other industries and share his own expertise with Tenth District leaders.

In February, Sieck became president and chief operating officer at Mutual of Omaha, where he has held several leadership positions since joining the bank in 2008.

"My primary function is to ensure we execute the strategic plan that was set forth by our board of directors," Sieck said. "Functionally that includes all areas of the bank—lending, deposits and operations. We try to extract what the marketplace's needs are and come up with solutions and structures that allow our clients to operate their businesses better and more efficiently. We do this by understanding the movement of money in and out of a client's business.

That kind of ground-level insight into the needs of clients is one of the perspectives that Sieck hopes to bring to the Omaha Branch's Board of Directors.

"First of all I was honored to be asked to consider joining the board," Sieck said "I think that as a fellow banker, it's an honor to be involved in how our monetary system functions."

Sieck said he was especially appreciative

when Kansas City Fed President Esther George visited Omaha and "met with a few of our senior team members ... She took a boots-on-the-ground approach to developing industry insight for her region."

"I think it's vital that we make decisions in the banking system that are real-time and forward-looking," Sieck said. "And so I think that I can contribute to that mission that the Fed has ... to listen and understand and be those boots on the ground to assist the Fed on what's really going on."

Sieck said he is equally eager to learn from directors outside the banking sector.

"I hope to gain an even better perspective from other directors in terms of the industries that they operate in," he said. "As an example, at the first meeting I had in Kansas City, there was one of the lead cotton farmers, one of the lead executives in the health care business ... another was in the fuel business. So what I hope to gain is to become even more educated and more well-rounded in industries that I haven't participated directly in to fully understand how monetary policy can really impact their business."

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



DWAYNE SIECK
OMAHA DIRECTOR

PHOTO BY BOB GREENSPAN

MAKING A CONNECTION

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



President George spoke at the Kansas City Kansas Area Chamber of Commerce's monthly Congressional Forum on Feb. 16. In attendance (from left) were Chamber President and Chief Executive Officer Daniel Silva, Chamber Chairman Craig Gaffney and William Epperheimer, president of the Congressional Forum.

At the Risk Management Association breakfast hosted by the Kansas City Fed on Feb. 13, President George visited with Commerce Bank Senior Vice President Hal Brent. Brent also is president of the association's Kansas City chapter.



Naoki Ito, Japan Consul-General in Chicago, visited the Kansas City Fed on Jan. 26. Accompanying Ito: (far left) Jim Kanki, honorary Japan consul in Kansas City, and (far right) Daniel Morales of the Chicago consulate's public affairs staff. Joining President George from the Bank: (from left): Assistant Vice President Nicholas Sly, Senior Vice President Diane Raley, Senior Vice President Luke Woodward and senior economist Fumiko Hayashi. Ito's office serves Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wisconsin.



President George answered questions from Overland Park (Kansas) Rotary Club members after speaking at the organization's Jan. 8 luncheon.



On March 8, President George shared insight on the nation's economy and monetary policy during the Kansas City Fed's Economic Forum in Lincoln, Nebraska. Omaha Branch Executive Nathan Kauffman provided an update on the Nebraska economy.



Artist Lonnie Powell, whose painting “Mr. D and the Magic of Kansas City Night” is displayed at Kansas City Fed headquarters, visited the Bank in December.



President George adds her touch to a collaborative art project during the Denver Branch’s centennial activities in January.



After her keynote speech at the Wichita Independent Business Association’s annual meeting Feb. 8, President George visited with American State Bancshares executives Donald Lackamp and Robin LacKamp. Early in their careers, Robin was a Kansas City Fed employee and helped recruit then-bank examiner Esther George to the Bank.



Bank officials toured the Koch Chemical Group in Wichita on Feb. 8 as the guest of Koch executive Dan Solomon, who serves on the Kansas City Fed’s Economic Advisory Council. From left: Senior Vice President Diane Raley, Koch-Glitsch President Massimo Bizzi, President George, Solomon, Bank Assistant Vice President Jason Brown and Darran Headley of Koch-Glitsch.

Building relationships ...



The Denver Branch celebrated its centennial in early January. During the festivities, President George spoke at an economic forum to business and community leaders. Branch Executive Alison Felix shared a proclamation from Colorado's governor recognizing the opening of the Branch on Jan. 14, 1918. For more pictures from the centennial, go to KansasCityFed.org/publications/TEN.



On March 1, Branch Executive Alison Felix and former Kansas City Board chair Richard Bard delivered the presentation "Show Me the Money: Understanding the Role of Money in Our Economy" during the Vail Symposium. The event took place at Colorado Mountain College's Vail Valley campus in Edwards.



In February, the Denver Student Board of Directors toured Black Hills Energy in Denver. The company operates natural gas and electric utilities in Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota and Wyoming.



The Oklahoma City Branch Student Board of Directors visited the Oklahoma City Thunder corporate offices to learn about the NBA team's role in the local economy. The Thunder's community relations, business development and business intelligence departments delivered presentations for the students.



Chad Wilkerson (left), Oklahoma City Branch executive, vice president and economist, spoke at an Altus Rotary Club event in January. His presentation centered on economic indicators important to southwestern Oklahoma.



At the Oklahoma City Branch's holiday reception, President George thanked Clint Abernathy, Oklahoma City Branch Board chair and owner of Abernathy Farms, for hosting the KC Fed last fall in Altus, Okla.



Omaha Branch Executive Nathan Kauffman provided an economic update for members of the Omaha Executive Institute, a program offered by the Greater Omaha Chamber for new senior-level executives in the community.



Omaha Branch employees supported the American Heart Association's National Wear Red Day in February.



The Omaha Branch Student Board of Directors met in January to discuss personal finance topics. The Omaha Branch Student Board includes 14 students from three Omaha high schools.



Senior Community Development Advisor Dell Gines spoke on how to use entrepreneurship to have positive impact in communities at an Open Coffee discussion at No More Empty Cups in Omaha.

Kansas City Fed's Sendze encourages award winners, future female leaders in technology



PHOTO BY GARY BARBER

Marge Sendze addresses award recipients at the Annual Aspirations in Computing Award Ceremony.

During her recent keynote address for the Annual Aspirations in Computing Award Ceremony, Federal Reserve Bank of Kansas City employee Marge Sendze encouraged young women with outstanding achievements in the field of technology to follow their dreams.

Sendze leads the Bank's Tech Edge program, which helps attract talent in the field of technology while they are still undergraduates, providing internships and pathways to develop technology skills at the Kansas City Fed. Sendze is actively involved in the KC STEM Alliance group, which coordinates a Girls in Tech group and offers coding camps and other opportunities for young women to hone technology skills. The

award ceremony was organized by National Center for Women in Information Technology.

As a child in Cameroon, Sendze's father, a civil engineer, constantly quizzed her on math, while she longed for a career as a television anchor. Sendze left her home country for college in the United States where she pursued her interest in communications. After graduating, she lost her desire to become a television anchor and took a job as an analyst. From there, she took computer programming classes in an attempt to develop an application to automate some of her rote tasks. The successful endeavor led her to become a web developer and then a technology manager. Today, she describes an important part of her role as helping others develop their talents.

"Your future is bright," Sendze said, addressing the award recipients directly. "You have the unique advantage to apply your knowledge and skills to create the impact you wish for."

She urged her audience to believe in themselves and blaze a trail for others to follow.

"The world and your community need you to innovate and create solutions that will continue to benefit generations to come," she said. "You can get there with a healthy dose of grit and grace."

Sendze defined grace as "the warmth in your heart that gives you courage when you are afraid" and grit as "the perseverance and passion that pushes you toward your goal."

Learn more about the efforts of the KC STEM Alliance at www.kcstem.org

Money Museum develops additions focused on accessibility for all

The Money Museum at the Federal Reserve Bank of Kansas City is working with the Kansas School for the Blind and other similar institutions to make its space more accessible and enriching to all visitors. As a result, custom tours for groups with special needs, Braille brochures and new tactile experiences are now available.

“More accessibility is a significant goal for the Money Museum,” said Abby Anderson, a Bank employee who coordinates operations in the museum. “We are champions for diversity and inclusion in our workforce, so it’s only natural we develop learning resources with inclusion in mind.”

The new gallery guides in Braille were translated by a specialized local organization. Museum staff members are learning and working with American Sign Language interpreters to provide tours for the hearing impaired.



PHOTO BY GARY BARBER

A student from the Kansas State School for the Blind holds a whale’s tooth to learn about early forms of currency. At one point in time, a whale’s tooth could be traded for goods or services.

In addition, the museum went through a professional sensory processing disorder consultation and received positive reviews on the lighting and noise levels, attesting to the museum’s suitability for guests on the autism spectrum.

Most of these efforts are a result of the collaboration and partnership museum staff has established with organizations focused in the development of exemplary programs and practices in vision and hearing and sensitive services in the region, in particularly with the Kansas State Schools for the deaf and blind.

“The goal is to develop new strategic alliances to expand the museum resources and ultimately increase the audience,” Anderson said.

During its visit in December, the Kansas State School for the Blind brought a group of 30 students, caretakers, and administrators, including Interim Superintendent Jon Harding.

“It’s crucial for these students to be part of an inclusive society to connect them to real-life experiences: in this case, the value of money and the responsibilities associated with it,” Harding said. “More than ever before, we prepare people with disabilities to live independently and go out to explore places within their communities.”

In 2017, Anderson participated in a community-partner meeting organized by the school; she had meaningful conversations with people working within the field, expanded her network of accessibility resources and learned a few best practices. In 2018, the museum staff will continue to incorporate new ways to meet the needs of people with disabilities.

Visit the Kansas City Fed’s Money Museum. Learn more at www.KansasCityFed.org/MoneyMuseum

Former Kansas City Fed Student Board member, intern featured by Kauffman Scholars program



Alina Crouch, center, stands with Kansas City Fed employees Alyssa Dailey (left) and Amy Sanchez at a Kauffman Scholars event.

Alina Crouch, a member of the Federal Reserve Bank of Kansas City's Student Board from 2014-2015 who interned during the summer of 2015 with Summer @ the Fed, was recently highlighted as a "Kauffman Scholar to hire" by the Kauffman Scholars organization. Crouch, a Kauffman Scholar, is a junior at Harvard University. The Kauffman Scholars program is a multiyear college access and scholarship program designed to help low-income urban students in Kansas City prepare for and complete a college education.

"Alina is a great scholar and overachiever and seized the opportunity to complete a #HireAKauffmanScholar profile," said Mako Miller, the career development coordinator at Kauffman Scholars Inc., who coordinated the #HireAKauffmanScholar campaign.

For the Bank, Crouch's recognition by the Kauffman Scholars program is an

indicator of successes in the Kansas City Fed's recruitment efforts.

"It is an excellent reflection of the Bank's recruiting process and early engagement opportunities when we see top talent like Alina start her career here as a high school student," said Tara Schreiner, Human Resources. "It feels good to see Student Board members not only excel in their education but consider returning to the Bank as they further their careers. Alina is a great example of the high achieving students that we are fortunate to interact with and invest in through our various programs."

Read more about Kauffman Scholars at www.KauffmanScholars.org and go to www.kansascityfed.org/education/foreducators/student-board/kc/summer-program for about Summer @ the Fed.

Money Museums host For the Love of Money exhibit

The Federal Reserve Bank of Kansas City's Money Museums in Kansas City and Denver recently displayed a temporary exhibit, "For the Love of Money," which was on loan from the Museum of Uncut Funk. The traveling exhibit showcases 10 examples of commemorative coins, medals and other tokens featuring African-Americans.

Learn more about the exhibit at museumofuncutfunk.com/2015/10/24/for-the-love-of-money-blacks-on-u-s-currency-panel-exhibition



Kansas City Fed employees Caroline Croessmann and Rachel Hier view the For the Love of Money display at the Kansas City Fed's Denver Branch.

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 October, November and December.

Sundance State Bank	Sundance	Wyo.	87
First State Bank	Ness City	Kan.	84
First Nebraska Bank	Valley	Neb.	84
Bank of Hartington	Hartington	Neb.	82
Bankwest of Kansas	Goodland	Kan.	79
First State Bank of Colorado	Hotchkiss	Colo.	76
First State Bank and Trust Company	Larned	Kan.	76
First State Bank in Temple	Temple	Okla.	75
Citizens-Farmers Bank	Cole Camp	Mo.	73
Bank of Commerce	Rawlins	Wyo.	40
Citizens Bank of Edmond	Edmond	Okla.	37
Bank of Jackson Hole	Jackson	Wyo.	36
Castle Rock Bank	Castle Rock	Colo.	32
Bankers Bank	Oklahoma City	Okla.	32
Bank of Commerce	Chelsea	Okla.	21
Mabrey Bank	Bixby	Okla.	21
First State Bank	Anadarko	Okla.	20
KCB Bank	Kearney	Mo.	20
Prime Bank	Edmond	Okla.	10
FirstOak Bank	Independence	Kan.	5
Citizens Bank of Kansas	Kingman	Kan.	5

TEN receives printing industry award

A printing industry organization selected the Winter 2017 "Rock the Fed" edition of TEN magazine as the winner of a Best of Category award.

The Printing & Imaging Association of MidAmerica chose TEN for the top honor in the organization's Sheet-fed Magazine category. The Winter 2017 edition highlighted "Rock the Fed," an event that promoted financial education for young people and featured the band Gooding. In addition

to performing, band members discussed personal finance concepts with Kansas City area high school students.

Jeff Ereth of Kingston Printing in Eudora, Kan., presented the award in December 2017 to Kansas City Fed employees Gary Barber and Kevin Wright. Barber photographed Gooding for the cover and designed the winning edition. Wright was the magazine's editor.

TEN, which is printed by Kingston, is published quarterly by the Kansas City Fed.



PEOPLE

PRACTICES

PARTNERSHIPS

COMMITMENT TO

Diversity & Inclusion

FEDERAL RESERVE BANK OF KANSAS CITY

2017 REPORT TO CONGRESS ON THE

OFFICE OF MINORITY AND WOMEN INCLUSION



Kansas City Fed employees were recognized for their commitment to employee diversity programs. First Vice President and Chief Operating Officer Kelly Dubbert congratulated honorees (from left) Leonard Greene, Mark Wilcox, Mattie Brown, Tasha Shaw and Chad Parker.

The Federal Reserve Bank of Kansas City's 2017 Office of Minority and Women Inclusion (OMWI) Annual Report highlights the Bank's long-standing commitment to diversity in its people, practices and partnerships.

Formally established by the Dodd-Frank Act of 2010, the office ensures the Bank's business practices remain inclusive and represent the range of backgrounds and experiences that make up the Federal Reserve's Tenth District.

The Bank recognizes that achieving its mission and serving its large, varied region requires diversity that reflects the communities it serves and the people it represents. The annual report for 2017 highlights and summarizes the many ways the Bank has made diversity and inclusion efforts a priority.

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

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

The 2017 report highlights the many successes and challenges the Bank faced in meeting its goal of

diversity and inclusion. One notable highlight is the increase in the hiring rate for women. The total female hiring rate increased from 34 percent in 2016 to 40.4 percent in 2017, which is a five-year high. The total minority hiring rate decreased to 21.7 percent in 2017 from to 26.1 percent in 2016.

Other successes include strengthening existing relationships and developing new partnerships with area organizations that promote diversity in the community, as well as implementing innovative financial education programs with urban and minority school districts. Challenges such as increased competition in the District for experienced minority and women talent and individuals with specialized technology-based skillsets present opportunities for 2018 and beyond.

PEOPLE, PRACTICES AND PARTNERSHIPS

The Bank's focus on diversity and inclusion applies to all business areas. Throughout 2017, the Bank enhanced its efforts to remain proactive and progressive relative to its strategy.



Vice President Tammy Edwards, Regional, Public and Community Affairs, leads a lesson for elementary school students during Teach Children to Save, a campaign that the Bank coordinates to teach children financial concepts. More than 100 Bank employees volunteered in elementary school classrooms during the 2017 Teach Children to Save event.



President Esther George (third from left) and Board Chair Rose Washington (third from right) visited Langston University, a historically black university in Oklahoma. Also pictured (from left): Oklahoma City Branch Executive and Vice President Chad Wilkerson, Langston Vice President Mautra Jones, Langston President Kent Smith Jr., Senior Vice President Diane Raley and Joshua Snavely, dean of the Langston School of Business.

PEOPLE

The Kansas City Fed employs 1,900 people at its head office in Kansas City and Branch offices in Denver, Oklahoma City and Omaha. The Bank is responsible for the Federal Reserve's Tenth District, which includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and western Missouri.

The economy of the Tenth District represents a wide and diverse range of industries, including agriculture, banking, energy, manufacturing, aerospace, hospitality/tourism, technology and military. Within the District, 26.0 percent of residents live in rural areas, more than the national average of 14.4 percent. Additionally, 30.4 percent of the District's population is minority, compared with 38.7 percent in the nation as a whole.

The Bank's 11-member senior leadership team, which is comprised of executives responsible for

setting policy and strategic direction, includes eight women, representing 72.7 percent of senior leadership. This is much higher than the 26.9 percent average for equivalent positions at Kansas City-area companies. Minorities represent 18.2 percent of the senior leaders, exceeding the 7.1 percent average for equivalent positions at Kansas City-area companies.

Nearly 280 Bank employees recruited talent at 45 colleges across 10 states, including 15 majority-minority and women-serving colleges and universities. To attract diverse talent, the Bank continues to pursue qualified applicants through recruiting events and programs at majority-minority serving colleges and universities and community collaborative partner events.

Participation in the Bank's mentorship program reached about 31 percent of the total workforce in 2017. A total of 546 employees participated, including 29.5 percent of the minority workforce and 36.1 percent of women in the workforce.

PRACTICES

The Bank encourages the participation of diverse suppliers, including minority-owned and women-owned businesses, in its sourcing and contracting opportunities. This provides the Bank with access to a variety of supplier perspectives and ideas, while also providing opportunities to small and diverse businesses.

Bank staff engages with local, regional and national organizations to both attend and host supplier outreach activities and events. The Bank strives to include at least one minority-owned and one woman-owned business, when available, in competitive acquisitions. Language included in the Bank's contracts affirms its commitment to equal

opportunity in employment and contracting, and also requires each supplier, regardless of diverse status, to confirm a similar commitment in its own business practices.

Bank staff identified and included diverse suppliers in 78.5 percent of all requests for proposals in 2017, an increase from 77.1 percent in 2016. Ultimately, the Bank awarded 21.6 percent of all contracts to minority-owned and women-owned businesses in 2017.

The Bank spent 13.1 percent of its total reportable spend with diverse suppliers in 2017, including 5.3 percent with minority-owned businesses and 7.8 percent with women-owned businesses. This represented an increase in total diverse reportable spend compared with 11.5 percent in 2016. The growth highlights the Bank's continued commitment to an inclusive supplier strategy.

PARTNERSHIPS

Staff and additional resources in each of the Bank's four offices are dedicated to providing economic education, financial education, internships and mentoring opportunities to urban high schools and diverse school districts in Kansas City, Albuquerque, Denver, Oklahoma City and Omaha. In 2017, more than 15,000 students attended a financial education program hosted by the Bank. Additionally, the Bank developed or expanded new initiatives related to this area in 2017.

The Oklahoma City Branch began providing support to the Boys & Girls Club Pathways Program, which helps students obtain access to tools and resources they need to graduate high school with confidence to move successfully to the next step in their lives—college, technical education programs or to the workforce. Branch employees supported the

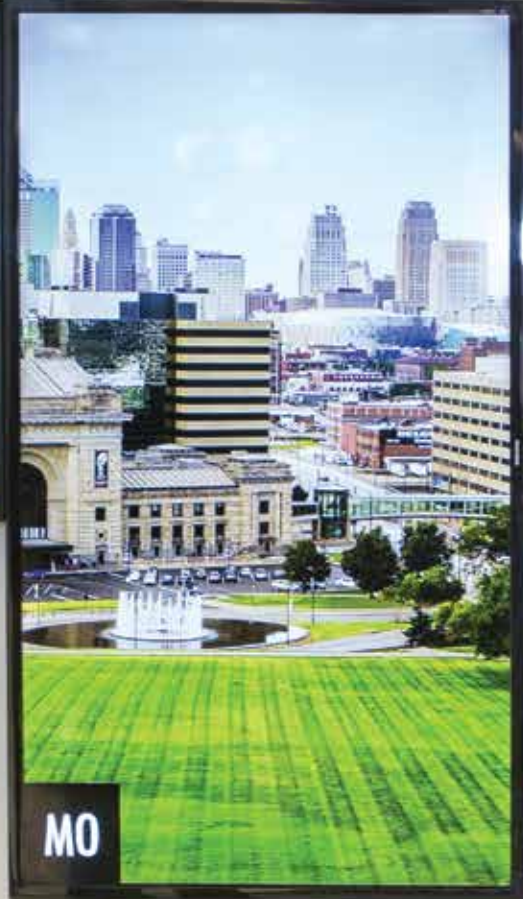
teaching of soft skills, business skills and financial management skills to support the young people participating in the Pathways program.

Six classes of the Kansas City Student Board of Directors returned to the Bank for an alumni reception. More than 150 high-achieving high school seniors from around the Kansas City metro area have participated in the Bank's Student Board program, which invites students to act as board members during the school year, attending meetings about the economy, touring local businesses, practicing their business skills and learning how to network.

In 2017, the Bank developed the Women Economists Network, led by Denver Branch Executive and Vice President Alison Felix. The informal group meets regularly to discuss research interests, current projects and future goals. The group offers a networking and mentoring opportunity for all of the women economists at the Bank. For more about the Office of Minority and Women Inclusion and to read the 2017 OMWI report to Congress, visit WWW.KANSASCITYFED.ORG/ABOUTUS/KCFEDINFORMATION/DIVERSITY.



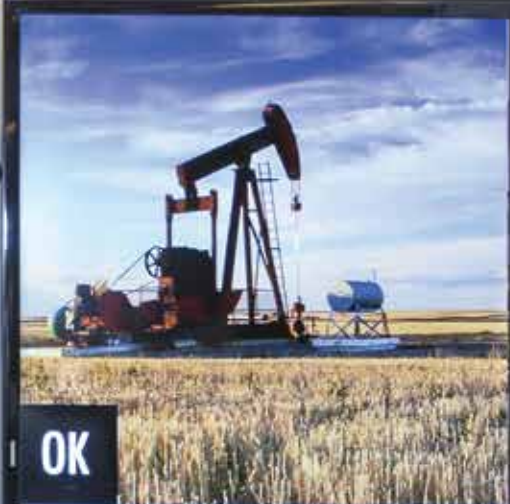
Denver Branch Executive Alison Felix leads a networking group for women economists. From left, Felix, Nida Melek, Fumiko Hayashi, Didem Tüzemen and Huixin Bi.



Annual 2017 *Report*



FEDERAL RESERVE BANK



THE FEDERAL RESERVE BANK OF KANSAS CITY, including its Branch offices in Denver, Oklahoma City and Omaha, serves the public across the Federal Reserve's Tenth District—a region spanning seven states from western Missouri and across the Central Plains through the Rocky Mountains.

As one of 12 Federal Reserve Banks that are the operating arms of our nation's central bank, the Kansas City Fed is responsible for ensuring that the banks within our District are well run, that payments are handled safely and efficiently, and that the views of our District are represented in the Fed's policy deliberations. Our 1,900 employees, and the many residents from across our District who serve on our boards, contribute to our advisory councils and work with us as public partners, support our nation's economic, financial and banking systems with the goal of fostering a stable environment.

Esther L. George is president and chief executive officer of the Kansas City Fed. George also is a member of the Federal Open Market Committee, which determines the direction of monetary policy.

The 2017 audited financial report for the Federal Reserve Bank of Kansas City is available at KansasCityFed.org.

ESTHER L. GEORGE
President and Chief Executive Officer

Our Mission

FEDERAL RESERVE BANK OF KANSAS CITY

“We have a responsibility to the residents of our seven-state region to ensure that their banks are well run, that their payments are handled safely and that their views and concerns are reflected in our policy deliberations. We also have an obligation to help them understand our work and to maintain their trust and confidence in our ability to serve their interests.”

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

THE MISSION

The Federal Reserve Bank of Kansas City contributes to monetary policy, provides supervisory and regulatory oversight and delivers safe, reliable and efficient financial services.

MONETARY POLICY

Why:

The Bank supports a healthy economy that promotes stable growth and provides opportunities for all Americans. As directed by Congress, the Federal Reserve Bank presidents participate in the monetary policy process to help the Federal Open Markets Committee achieve maximum employment and price stability over the long run. The Bank fulfills its congressionally assigned role in shaping monetary policy by executing several actions and meeting specific responsibilities year-round.

How:

- By producing mission-specific and insightful research analysis that informs the Bank president’s views and influences policymakers at all levels.
- By providing computing resources and data warehousing to enhance research and analysis on macroeconomic, payments, banking, community development and regional issues.
- By operating regional branch offices with accessible, expert resources, including economists, examiners, community development specialists, economic educators and other specialists.
- By connecting Main Street views to regional and national policy through diverse board of directors and advisory council members.

Our Work

BANKING SUPERVISION

Why:

The Bank works to ensure that the nation has a safe and reliable banking system that treats customers fairly and provides credit to a diverse range of communities and businesses.

How:

- By leveraging our technology, service and community bank expertise to examine our region's financial institutions for safety and soundness.
- By ensuring that banks are providing fair access to credit for all consumers.
- By making short-term collateralized loans to banks and assessing risks so that we can support the region in times of crisis and stress.
- By using our supervisory authority to guard against threats to the stability of the financial system.

PAYMENTS

Why:

The Bank supports a safe, reliable, accessible and efficient payments system for all Americans and the U.S. government. In addition to processing trillions of dollars of payments for the nation's banks and the federal government, we ensure that banks have cash and coin to meet the needs of their customers.

How:

- By leading the Federal Reserve System's efforts to improve payments in the United States and make certain that the country's payments system is modern, safe, secure and accessible.
- By supporting payments policies and systems that best serve the public.
- By using our expertise and talented technology professionals to be a top provider of operational and support services to the U.S. Treasury.
- By leveraging our service culture.
- By ensuring efficiency and strong outcomes across all payments operations.

"From our experience, we should recognize the benefits of a central bank that can influence the economy and enhance financial stability through several mutually reinforcing tools."

—ROGER W. FERGUSON JR., FEDERAL RESERVE VICE CHAIR, 1999-2006

Our Work

THE KANSAS CITY FED employs 1,900 workers across Colorado, Kansas, Nebraska, Oklahoma, western Missouri, northern New Mexico and Wyoming. This region is the Tenth District of the Federal Reserve System and is headquartered at 1 Memorial Drive in Kansas City, Missouri. The bank operates Branch offices in Denver, Oklahoma City and Omaha.

Administrative Services

This division performs a range of services to maintain efficient and effective internal operations at the Kansas City Fed. This includes Enterprise Risk and Strategy, Financial Management, Law Enforcement, Human Resources and Financial Management. Additionally, the division houses the Human Resources Technology Center, which provides project management and operational support for the centrally managed Federal Reserve System HR application portfolio. It also houses the Office of Minority and Women Inclusion, 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.

Josias A. Aleman, senior vice president and general auditor, leads the Audit Division.



Audit

The Audit Division reports to the Audit Committee of the Bank's Board of Directors and provides an independent and objective assessment of the Tenth District's internal controls. Audit's role is to provide a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes, including management's identification of fraud risk and implementation of fraud controls.



On Take Your Child to Work Day, officers Scott Berry (foreground) and Eric Prince explained Law Enforcement procedures.



Betsy Johnson and Michael Redmond, members of the Research Department, work with high school students in the Math X Economics program.

Economic Research

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



Assistant Vice President Holly Koenig worked with students at the Girls in Tech KC event at the Fed.

Information Technology and Customer Support

Employees in this division support the efforts of business areas in the Kansas City Fed and the Federal Reserve System through innovative information technology solutions. This division includes the Federal Reserve System's National Service Desk operations, Identity and Access Management (Access Management and Provisioning and Enterprise Password Vault service providers) and SharePoint administration. It also includes local IT Client Services, Application Delivery Services and Information Security.



Bill Vandivort and Fawn Jamerson of the Legal Division serve as counsel for the Bank.

Legal

Attorneys provide advice on legal issues to management and the Board of Directors at each office. They represent the Bank in administrative and judicial proceedings, assist the Bank in complying with applicable law, counsel employees on matters concerning the Code of Conduct and help educate Bank employees on various legal issues.

Payment Strategies

This division provides leadership, analytical support, policy analysis and research to support the Federal Reserve System's mission to promote a U.S. payment system that is efficient, safe and broadly accessible. The division houses the Financial Services Policy Committee Support Office, which coordinates strategic and business planning for the Federal Reserve's financial services responsibilities. In addition, staff members lead the program management office overseeing a strategic initiative to improve the U.S. payment system.



Regional, Public and Community Affairs

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



A set inside Studio 10, the Kansas City Fed's multimedia production center.

The Fed ensures that the nation's payments system is efficient, safe and accessible.

Assistant Vice President Sean Foley (left) and Technology Manager Travis Brown of Retail Payments Technology Services.



Retail Payments Technology Services

This division maintains and develops the Retail Payments Office's technical resources for the Federal Reserve System. In collaboration with National IT and external vendors, the division ensures that automated clearinghouse and check processing applications meet service-level expectations.

Supervision and Risk Management

Supervision of bank holding companies, savings and loan holding companies and state-chartered member banks in the Tenth District are the chief responsibilities of this division. This oversight includes conducting examinations of these institutions to ensure a safe and sound banking system. Banks also are examined for compliance with consumer laws and regulations and for performance under the Community Reinvestment Act. 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.



Supervision and Risk Management team members in Denver: (Front, from left) Lara Hurst and Lindsay Rabiolo. (Back, from left) Max Gwin, Amber Conley and Dan McGonegle.



Cash Services receives deposits and distributes currency and coin.

Treasury, Payments and Program Management

This division provides program/project management, business analysis and other leadership and operational services to Reserve Bank and U.S. Treasury business partners. Through Cash Services and the Wholesale Operations Site, the division receives deposits, distributes currency and coin, and supports secure and timely transfers of funds and securities.



Directors
Roundtables
Advisory
Councils
Officers

2017

MANAGEMENT COMMITTEE



(From left) Ms. Connor, Ms. Raley, Ms. Ward, Ms. Morhaus, Mr. Moore, Ms. George, Mr. Aleman, Mr. Dubbert, Mr. Willis, Ms. Sellers, Ms. Pennell, Ms. Hendricks, Ms. Robbins.

ESTHER L. GEORGE, President and Chief Executive Officer

KELLY J. DUBBERT, First Vice President and Chief Operating Officer

DAWN B. MORHAUS, Executive Vice President, Treasury, Payments and Program Management Division

DENISE I. CONNOR, Senior Vice President, Retail Payments Technology Services Division

KEVIN L. MOORE, Senior Vice President, Supervision and Risk Management Division

KAREN A. PENNELL, Senior Vice President, Information Technology and Customer Support Division

DIANE M. RALEY, Senior Vice President and Chief of Staff, Regional, Public and Community Affairs Division

KIMBERLY N. ROBBINS, Senior Vice President, Payment Strategies Division

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

JONATHAN L. WILLIS, Vice President and Interim Director of Research, Research Division

VERONICA M. SELLERS, Advisor, Senior Vice President and General Counsel, Legal Division

JOSIAS A. ALEMAN, Advisor, Senior Vice President and General Auditor

ANDREA D. HENDRICKS, Committee Secretary and Advisor, Assistant Vice President,
Deputy Director of the Office of Minority and Women Inclusion

Directors — 2017

FEDERAL RESERVE BANK OF KANSAS CITY

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 Federal Reserve's Tenth District. The District includes Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming.

In 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, surplus and retained earnings for each commercial bank, with Group 1 banks being the largest. Each group within the class elects one director. For example, Greg Hohl, chairman and president of Wahoo State Bank in Wahoo, Nebraska, 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 but may not be an officer, director or employee of a financial affiliation company. These directors also are elected by member banks under the same categories as Class A directors. For example, Lilly Marks, vice president for Health Affairs, University of Colorado and Anschutz Medical Campus, Aurora, Colorado, is a Class B director elected by Group 2 member banks.

Class C

The three Class C directors also represent the public. However, these directors 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, Jim Farrell, president and chief executive officer of Farmers National Company, Omaha, Nebraska, is a Class C director. From the Class C directors, the Board of Governors selects one person as chair and another as deputy chair.

Governance of the District; Guardianship of the System

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

Serving on the Head Office Board

FEDERAL RESERVE BANK OF KANSAS CITY

Reserve Bank directors meet monthly to oversee the Bank's operations and policies and to confer on economic and banking developments. The directors also provide information on economic conditions within the District as part of the Bank president's preparation for Federal Open Market Committee meetings. Among directors' responsibilities is establishing the Kansas City Fed's discount rate, which is subject to review and determination by the Federal Reserve Board. The directors and their classifications are on page 44.

Serving on the Branch Boards

DENVER, OKLAHOMA CITY AND OMAHA

Each branch of the Federal Reserve Bank of Kansas City also has its own seven-member Board of Directors. Four of these directors are appointed by the Kansas City Fed Board of Directors, and three are appointed by the Board of Governors. Branch directors serve three-year terms and engage with their respective branch executives to provide insight on regional economic conditions as well as to offer advice and counsel. Branch directors are listed on pages 45-47.

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

COMMITTEE MEMBERSHIP FOR HEAD-OFFICE DIRECTORS 2017

AUDIT COMMITTEE

Mark Zaback, Chair
Steve Maestas
Lilly Marks
Doug Stussi

BUILDINGS COMMITTEE

Steve Maestas, Chair
Greg Hohl
Paul Thompson

COMPENSATION COMMITTEE

Jim Farrell, Chair
Steve Maestas
Brent Stewart, Sr.

Note: Rose Washington, board chair, is an ex officio voting member of each standing committee.

Each year directors from the Bank's head office and branches participate in a joint board meeting. Besides the regular board meeting, directors learn about local economies through educational tours. During the 2017 joint board meeting, held in April, in Denver, directors from the four boards collaborated with the senior leadership team on the Bank's strategic plan and future goals.



BOARD OF DIRECTORS, KANSAS CITY



*(Front row, from left) Mr. Thompson, Mr. Maestas, Ms. Washington, Ms. Marks, Mr. Zaback.
(Back row, from left) Mr. Stewart, Mr. Hohl, Mr. Stussi, Mr. Farrell.*

ROSE M. WASHINGTON, Board Chair, Executive Director, Tulsa Economic Development Corporation,
Tulsa, Oklahoma (Class C)

STEVE MAESTAS, Deputy Chair, Chief Executive Officer, Maestas Development Group, Albuquerque, New Mexico (Class C)

JIM FARRELL, President and Chief Executive Officer, Farmers National Company, Omaha, Nebraska (Class C)

BRENT A. STEWART SR., President and Chief Executive Officer, United Way of Greater Kansas City,
Kansas City, Missouri (Class B, Group 1)

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

DOUG STUSSI, Executive Vice President and Chief Financial Officer, Love's Travel Stops & Country Stores,
Oklahoma City, Oklahoma (Class B, Group 3)

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

MARK A. ZABACK, President and Chief Executive Officer, Jonah Bank of Wyoming, Casper, Wyoming (Class A, Group 2)

GREGORY HOHL, Chairman and President, Wahoo State Bank, Wahoo, Nebraska (Class A, Group 3)

Federal Advisory Council Member

LESLIE R. ANDERSEN (not pictured), President and Chief Executive Officer, Bank of Bennington,
Bennington, Nebraska

BOARD OF DIRECTORS, DENVER



(From left) Mr. DeFrango, Mr. Johnson, Ms. Edwards, Mr. Lewis, Ms. Winograd, Mr. Burt, Mr. Wallace.

RICHARD L. LEWIS, Branch Chair, President and Chief Executive Officer, RTL Networks Inc., Denver, Colorado (Board of Governors appointed)

GARY DEFANGE, President and Chief Operating Officer (Retired), Winter Park Resort, Winter Park, Colorado (Board of Governors appointed)

TARYN EDWARDS, Senior Vice President, Saunders Construction, Englewood, Colorado (Board of Governors appointed)

ASHLEY J. BURT, President, The Gunnison Bank and Trust Company, Gunnison, Colorado (Kansas City Fed Board appointed)

EDMOND JOHNSON, President and Owner, Premier Manufacturing Inc., Frederick, Colorado (Kansas City Fed Board appointed)

JEFF WALLACE, Chief Executive Officer, Wyoming Bank & Trust, Cheyenne, Wyoming (Kansas City Fed Board appointed)

KATHARINE W. WINOGRAD, President, Central New Mexico Community College, Albuquerque, New Mexico (Kansas City Fed Board appointed)

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

BOARD OF DIRECTORS, OKLAHOMA CITY



(From left) Ms. Chapman Plumb, Mr. Abernathy, Ms. Washington, Mr. Delaney, Ms. Patel, Mr. Coffman, Mr. Hall.

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

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

KATRINA WASHINGTON, Owner, Stratos Realty Group LLC, Oklahoma City, Oklahoma (Board of Governors appointed)

MICHAEL C. COFFMAN, President and Chief Executive Officer (Retired), Panhandle Oil and Gas Inc., Oklahoma City, Oklahoma (Kansas City Fed Board appointed)

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

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

SUSAN CHAPMAN PLUMB, Chief Operating Officer and Counsel, Bank of Cherokee County, Tahlequah, Oklahoma (Kansas City Fed Board appointed)

BOARD OF DIRECTORS, OMAHA



(From left) Mr. Henning, Ms. Hamilton, Ms. Russel, Mr. Bourne, Mr. Butler, Mr. Esch, (not pictured: Mr. Krejci).

JOHN F. BOURNE, Branch Chair, International Representative (Retired), International Brotherhood of Electrical Workers, Omaha, Nebraska (Board of Governors appointed)

ERIC BUTLER, Executive Vice President and Chief Administrative Officer (Retired), Union Pacific Railroad, Omaha, Nebraska (Board of Governors appointed)

KIMBERLY A. RUSSEL, President and Chief Executive Officer, Bryan Health, Lincoln, Nebraska (Board of Governors appointed)

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

ANNETTE HAMILTON, Chief Operating Officer, Ho-Chunk Inc., Winnebago, Nebraska (Kansas City Fed Board appointed)

THOMAS J. HENNING, President and Chief Executive Officer, Cash-Wa Distributing Co., Kearney, Nebraska (Kansas City Fed Board appointed)

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

2017 *Roundtables*

FEDERAL RESERVE BANK OF KANSAS CITY

FOOD AND AGRICULTURE ROUNDTABLE



(Front row from left) Steve Wellman, Virginia McGathey, Peter Headley, Jim Timmerman, Ray Wyse, Ben Breazeale, Mark Byars. (Second row from left) Bill Lapp, Stephanie Liska, Pam Johnson, Ankush Bhandari, Barrett Barr, Thatcher Schulte, Nicholas Sly, Cortney Cowley. (Back row from left) Nathan Kauffman, Howard Hill, Jim Farrell, Steve George, Neil Dierks, Steve Elmore, Bill Brooks, Terry Harding, Matt Clark.

The annual Food and Agriculture Roundtable brings together agribusiness executives and Kansas City Fed economists for discussion of the agricultural economy and monetary policy.

FOOD AND AGRICULTURE ROUNDTABLE

BARRETT BARR
Strategy Lead, Fleet Solutions
Deere & Company
Bettendorf, Iowa

ANKUSH BHANDARI
Vice President
Gavilon LLC
Omaha, Nebraska

BEN BREAZEALE
Assistant Vice President
Cargill
Overland Park, Kansas

BILL BROOKS
Dairy Economist
INTL FCStone
Dearborn, Missouri

MARK BYARS
Vice President
Adams Land and Cattle
Broken Bow, Nebraska

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

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

NEIL DIERKS
Chief Executive Officer
National Pork Producers Council
Urbandale, Iowa

STEVE ELMORE
Chief Agricultural Economist
DuPont Pioneer
Johnston, Iowa

JIM FARRELL
President and Chief Executive Officer
Farmers National Company
Omaha, Nebraska

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

TERRY HARDING
Senior Vice President
Wells Fargo
Des Moines, Iowa

PETER HEADLEY
Managing Director
MetLife Agricultural Investments
Overland Park, Kansas

HOWARD HILL
Iowa Select Farms
Cambridge, Iowa

PAM JOHNSON
Farmer and Past President
National Corn Growers Association
Floyd, Iowa

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

BILL LAPP
President
Advanced Economic Solutions
Omaha, Nebraska

STEPHANIE LISKA
President and Chief Executive Officer
Beck Ag
Wayne, Nebraska

VIRGINIA MCGATHEY
President
McGathey Commodities
Chicago, Illinois

THATCHER SCHULTE
Director of Strategic Insights
ConAgra
Chicago, Illinois

NICHOLAS SLY
Senior Economist
Federal Reserve Bank of Kansas City
Kansas City, Missouri

JIM TIMMERMAN
Partner
Timmerman Land & Cattle Co.
Springfield, Nebraska

STEVE WELLMAN
President
Wellman Farms
Syracuse, Nebraska

RAY WYSE
Managing Partner
SWAT LLC
Omaha, Nebraska

REGIONAL ECONOMIC ROUNDTABLE



*(Front row, from left) Mr. Thompson, Mr. Wobbekind, Mr. Robinson.
(Back row, from left) Mr. J. Mitchell, Mr. D. Mitchell, Mr. Evans, Mr. Hill.*

RUSSELL EVANS, Associate Professor of Economics, Executive Director, Economic Research & Policy Institute,
Oklahoma City University

JEREMY HILL, Director, Center for Economic Development & Business Research, Wichita State University

DAVID MITCHELL, Assistant Professor, Missouri State University

JEFF MITCHELL, Director, Bureau of Business & Economic Research, University of New Mexico

JIM ROBINSON, Senior Economist, State of Wyoming Economic Analysis Division

ERIC THOMPSON, Associate Professor of Economics, Director of the Bureau of Business Research Economics,
University of Nebraska

RICHARD L. WOBBEKIND, Senior Associate Dean for Academic Programs, Executive Director of the Business
Research Division, University of Colorado

Economists from the seven Tenth District states meet annually with Kansas City Fed regional economists to review the states' activities from the past year and offer insight on the future. Among the sectors discussed: agriculture, banking, construction, employment, energy, exports, housing and manufacturing.

Advisory Councils—2017

FEDERAL RESERVE BANK OF KANSAS CITY

ECONOMIC ADVISORY COUNCIL



*(Front row, from left) Mr. Neiman, Ms. Savage, Mr. Latenser, Ms. Vincent-Collawn.
(Back row, from left) Mr. Solomon, Mr. Martin, Mr. Ramirez, Mr. Lackey.*

JACQUELINE BACA, President and Chief Executive Officer, Bueno Foods, Albuquerque, New Mexico

MICHAEL M. COLLINS, President and Chief Executive Officer, Port KC, Kansas City, Missouri

KEN LACKEY, Chairman of the Board, Nordam, Tulsa, Oklahoma

JOHN LATENSER, Owner, Neff Packaging Systems, Kansas City, Kansas

STEVE MARTIN, President and Chief Executive Officer, Blue Cross Blue Shield, Omaha, Nebraska

CALEB MCCALED, Owner and President, McCaleb Homes, Edmond, Oklahoma

TAYLOR MERRITT, Chief Executive Officer, Merritt Aluminum Products Company, Fort Lupton, Colorado

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

EMIL RAMIREZ, Director, United Steelworkers District 11, Independence, Missouri

CASSANDRA SAVAGE, President, The Savage Group LLC, Overland Park, Kansas

DAN SOLOMON, Chief Financial Officer, Koch Industries Inc., Wichita, Kansas

PAT VINCENT-COLLAWN, Chairman, President and Chief Executive Officer, PNM Resources, Albuquerque, New Mexico

BRIDGETTE WILLIAMS, Deputy Director, Heavy Constructors Association of Greater Kansas City, Kansas City, Missouri

COMMUNITY DEVELOPMENT ADVISORY COUNCIL



*(Front row, from left) Ms. Petersen, Ms. Reynolds, Ms. Romero.
(Back row, from left) Mr. Radley, Mr. White, Mr. Showalter.*

RUBEN ALONSO, President, AltCap, Kansas City, Missouri

MARIE LONGSERRE, President and Chief Executive Officer, Santa Fe Business Incubator, Santa Fe, New Mexico

JUDY PETERSEN, Executive Director, Central Nebraska Economic Development District, Chambers, Nebraska

STEVE RADLEY, President and Chief Executive Officer, NetWork Kansas, Andover, Kansas

REBECCA REYNOLDS, Executive Director, Little Dixie Community Action Agency, Hugo, Oklahoma

CECILIA J. ROBINSON-WOODS, Superintendent, Millwood Public Schools, Oklahoma City, Oklahoma

LIDDY ROMERO, Executive Director, WorkLife Partnership, Denver, Colorado

JOHN SANTNER, Regional Vice President, NeighborWorks America, Kansas City, Missouri

CRAIG SHOWALTER, President and Chief Executive Officer, Wyoming Community Foundation,
Laramie, Wyoming

REGINALD THOMAS, President and Business Manager, Construction and General Laborers #264,
Kansas City, Missouri

CRIS A. WHITE, Executive Director and Chief Executive Officer, Colorado Housing and Finance Authority,
Denver, Colorado

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

COMMUNITY DEPOSITORY INSTITUTIONS ADVISORY COUNCIL



(From left) Mr. Larson, Mr. Coyne, Mr. Burr, Mr. White, Ms. Withers, Mr. Heckman, Mr. Turner, Mr. Schumacher, Ms. Andrich, Mr. Koehn, Mr. Chavez.

LYNE ANDRICH, Executive Vice President and Chief Financial Officer, CoBiz Financial, Denver, Colorado

DERON BURR, President and Chief Executive Officer, People's Bank of Seneca, Seneca, Missouri

ROBERT CHAVEZ, President and Chief Executive Officer, Sandia Laboratory Federal Credit Union,
Albuquerque, New Mexico

JOHN J. COYNE III, President and Chief Executive Officer, Big Horn Federal Savings Bank, Greybull, Wyoming

KYLE HECKMAN, President and Chief Executive Officer, Flatirons Bank, Boulder, Colorado

BRAD KOEHN, Regional President, Midwest Bank NA, Lincoln, Nebraska

KEVIN LARSON, President, CharterWest Bank, West Point, Nebraska

LEO SCHUMACHER, Chief Financial Officer, Lincoln Federal Savings Bank, Lincoln, Nebraska

CHRISTOPHER TURNER, President and Chief Financial Officer, The First State Bank, Oklahoma City, Oklahoma

LANCE WHITE, President and Chief Executive Officer, Bank of the Flint Hills, Wamego, Kansas

KIM WITHERS, President and Chief Executive Officer, Meridian Trust Federal Credit Union,
Cheyenne, Wyoming

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

PAYMENTS ADVISORY GROUP



*(Front row, from left) Mr. DeBroeck, Ms. Padmanabhan, Ms. Wilson and Ms. Vande Velde.
(Back row from left) Ms. Doyle, Mr. Oatman, Mr. Copeland, Mr. Lindgren and Mr. Thurman.
(Not pictured) Mr. Gilbert and Mr. Reuter.*

SCOTT COPELAND, Executive Vice President, BancFirst, Oklahoma City, Oklahoma

MICHAEL DEBROECK, Senior Vice President, Intrust Bank, Wichita, Kansas

SUSAN DOYLE, Senior Vice President, Commerce Bank, Kansas City, Missouri

CHRIS GILBERT, Chief Information Officer, Bankers Bank of Kansas, Wichita, Kansas

STEVE LINDGREN, Executive Vice President and Chief Operating Officer, Cornhusker Bank, Lincoln, Nebraska

RUSSELL OATMAN, Senior Vice President, First National Bank of Omaha, Omaha, Nebraska

SUCHITRA PADMANABHAN, President, CBW Bank, Weir, Kansas

JIM REUTER, Chief Executive Officer, FirstBank, Lakewood, Colorado

BOB THURMAN, Chief Executive Officer, Credit Union of America, Wichita, Kansas

TAMARA VANDE VELDE, First Vice President and Chief Information Officer, Capitol Federal Savings, Topeka, Kansas

UMA WILSON, Senior Vice President, UMB Bank, Kansas City, Missouri

Officers

2017

FEDERAL RESERVE BANK OF KANSAS CITY

Kansas City

ESTHER L. GEORGE
President and
Chief Executive Officer

KELLY J. DUBBERT
First Vice President and
Chief Operating Officer

DAWN B. MORHAUS
Executive Vice President

DENISE I. CONNOR
Senior Vice President

KEVIN L. MOORE
Senior Vice President

BARBARA S. PACHECO
(Retired Sept. 30, 2017)
Senior Vice President

KAREN A. PENNELL
Senior Vice President

DIANE M. RALEY
Senior Vice President
and Chief of Staff

KIMBERLY N. ROBBINS
Senior Vice President

VERONICA R. SELLERS
Senior Vice President
and General Counsel

DONNA J. WARD
Senior Vice President and
Director of the Office of
Minority and Women Inclusion

JOSIAS A. ALEMAN
Senior Vice President and
General Auditor

CRAIG S. HAKKIO
Senior Vice President and
Special Advisor on Economic Policy

SUSAN E. ZUBRADT
Senior Vice President

JOHN R. ARENSBERG
Vice President

LARRY D. BAILEY
Vice President

KARA S. BEMBOOM
Vice President and Associate General
Counsel

AMY E. COLE
Vice President

KRISTI A. COY
Vice President

WILLIAM W. DANDRIDGE
Vice President

TAMMY N. EDWARDS
Vice President

BRIAN C. FAROS
Vice President and
Chief Information Officer

ANDREW J. FRANK
Vice President

JANEL K. FRISCH
Vice President and
Chief Financial Officer

ANNE C. GOSSWEILER
Vice President

RICHARD L. HENRY
Vice President

MARK C. HORAN
Vice President

DAWN R. HOWELL
Vice President

MEGAN L. HRUDA
Vice President

TARA L. HUMSTON
Vice President

JAMES H. HUNTER
Vice President

GEORGE A. KAHN
Vice President and Economist

W. TODD MACKEY
Vice President

RENU A. MEHRA
Vice President

CHARLES S. MORRIS
Vice President and Economist

TODD A. OFFENBACKER
Vice President

ANNETTE K. OWENS
Vice President

LINDA S. SCHROEDER
Vice President

MICHAEL R. STECKLINE
Vice President

BROSIE D. STRADA
Vice President

STEPHANIE L. STRATEMEIER
Vice President

JAMES W. STUART II
Vice President

MARK A. WATSON
Vice President

JONATHAN L. WILLIS
Vice President and Economist

LUKE B. WOODWARD
Vice President

KRISTINA J. YOUNG
Vice President and Board Secretary

STANLEY R. BEATTY
Assistant Vice President

PORCIA B. BLOCK
Assistant Vice President

DAN A. BOWER
Assistant Vice President

J. STEPHEN BRADBERRY
Assistant Vice President

JASON BROWN
Assistant Vice President and
Economist

LESLEY D. BROWN
Assistant Vice President

SAN CANNON
Assistant Vice President and
Economist

JAMIE D. CHAMPLIN
Assistant Vice President

CHRIS J. CONSTANT
Assistant Vice President

KELLEY D. COURTRIGHT
Assistant Vice President

KELLI J. COX
Assistant Vice President

ERNIE W. CRAIG JR.
Assistant Vice President

TANYA L. CVETAN
Assistant Vice President

CHRISTINE D. DAFFRON
Assistant Vice President

DENNIS V. DENNEY
Assistant Vice President

ANDREW T. FOERSTER
Assistant Vice President and
Economist

SEAN K. FOLEY
Assistant Vice President

THOMAS J. FOSTER
Assistant Vice President

GREGORY H. GANDER
Assistant Vice President

JOHN GRAY
Assistant Vice President

LORI D. HALEY
Assistant Vice President

ERIKA HAMILTON
Assistant Vice President

ROBERT L. HAMPTON
Assistant Vice President

RYAN L. HARWELL
Assistant Vice President

JUDITH H. HAZEN
Assistant Vice President

ANDREA D. HENDRICKS
Assistant Vice President and
Deputy Director of the Office of
Minority and Women Inclusion

ALFRED HERMAN
Assistant Vice President

JILL M. HICKS
Assistant Vice President

ANN L. HOELTING
Assistant Vice President

MELISSA L. JACKSON
Assistant Vice President and
Public Information Officer

LOWELL C. JONES
Assistant Vice President

HOLLY A. KOENIG
Assistant Vice President

D. RICK LAY
Assistant Vice President

JOHN T. LEE
Assistant Vice President

JEFFREY E. LEGETTE
Assistant Vice President

CHRISTI A. MAY-ODER
Assistant Vice President
and Assistant General Auditor

RANDALL L. MUELLER
Assistant Vice President

JACQUELINE M. NUGENT
Assistant Vice President

EVAN A. POLLY
Assistant Vice President

AMANDA M. RESSLER
Assistant Vice President

ZACHARY J. RICHMOND
Assistant Vice President

STEPHEN R. SATTIG
Assistant Vice President

MATTHEW M. SCHLERETH
Assistant Vice President

RODNEY J. SCHMIDT
Assistant Vice President

LINDSAY D. SCHULER
Assistant Vice President

NICHOLAS B. SLY
Assistant Vice President and
Economist

PAUL L. SOMOGYE
Assistant Vice President

HOLLY D. STEFFES
Assistant Vice President

CARISSA SWANWICK
Assistant Vice President

WILLEM VAN ZANDWEGHE
Assistant Vice President and
Economist

JAMES WILKINSON
Assistant Vice President and
Economist

ADAM M. WINZENRIED
Assistant Vice President

GINGER K. WISE
Assistant Vice President

Denver
R. ALISON FELIX
Vice President, Branch
Executive and Economist

AMBER R. CONLEY
Assistant Vice President

VICTORIA A. FIELD
Assistant Vice President

TRINA L. PARSLEY
Assistant Vice President

Oklahoma City
CHAD R. WILKERSON
Vice President, Branch
Executive and Economist

MICHAEL A. COMBS JR.
Assistant Vice President

DOUGLAS L. GRAY
Assistant Vice President

Omaha
NATHAN S. KAUFFMAN
Assistant Vice President,
Branch Executive and Economist

NICHOLAS HATZ
Assistant Vice President

TODD RICH
Assistant Vice President



Spring 2018

VOLUME 13 • NUMBER 4 • ISSN 1554-7469

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, a government agency in Washington, D.C.

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 Dec. 23, 1913, and the 12 regional Federal Reserve Banks opened 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 Federal Reserve's Tenth 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.

SENIOR VICE PRESIDENT: Diane Raley

VICE PRESIDENT: Krissy Young

ASSISTANT VICE PRESIDENT & PRODUCTION ADVISOR: Lowell Jones

EDITOR: Stan Austin

ART DIRECTOR: Angela Anderson

MAGAZINE DESIGNERS: Alison Reichert, Casey McKinley

CONTRIBUTING WRITERS: Stan Austin, Ana Nixon, Sarah Pope

RESEARCH CONTRIBUTOR: Jordan Rappaport

COVER PHOTO BY: David Tejada

TEN magazine is a quarterly publication of the Federal Reserve Bank of Kansas City focused on the connection between the Bank's research and the Federal Reserve's Tenth District. **TEN** also features articles on the Federal Reserve's history, structure and operations.

The views and opinions expressed in **TEN** are not necessarily those of the Federal Reserve Bank of Kansas City, the Federal Reserve System, its governors, officers or representatives.

TEN articles may be reprinted if the source is credited and the Public Affairs Department of the Federal Reserve Bank of Kansas City is provided with copies. Permission to photocopy is unrestricted.

For a free subscription, please visit KansasCityFed.org/publications/TEN or call 816-881-2683.



Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, MO 64198-0001

PRSR STD
U.S. POSTAGE PAID
EUDORA, KS
PERMIT NO. 3

CHANGE SERVICE REQUESTED



2017 financial report

The Federal Reserve Bank of Kansas City's 2017 audited financial report is at **KansasCityFed.org**. Past financial reports and lists of officers, directors and advisory councils also are online.