

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF RESERVE BANK OPERATIONS AND PAYMENT SYSTEMS

2014 Reserve Bank Budgets

Action

On December 12, 2013, the Board approved the 2014 Reserve Bank operating budgets totaling \$3,795.7 million, an increase of \$163.8 million, or 4.5 percent, from the 2013 estimated expenses and \$107.5 million, or 2.9 percent, from the approved 2013 budget.¹ The Board also approved the 2014 Reserve Bank, Federal Reserve Information Technology (FRIT), and the Office of Employee Benefits (OEB) capital budgets, which total \$475.4 million.

The capital budgets are approved with the understanding that approval for actual capital outlays will be in accordance with the Board's Policies and Guidelines Concerning Reserve Bank Operations (FRAM 1-049). This policy states that Reserve Bank management may approve capital commitments for purchases or leases (single-item acquisitions and multicomponent projects) that were included in the Reserve Bank's capital budget approved by the Board, unless the acquisition is designated as strategic or sensitive by the Committee on Federal Reserve Bank Affairs (BAC).² The chair of the BAC (or the chair's designee) will notify Reserve Bank management if any budgeted commitments and agreements have been designated as strategic or sensitive and, therefore, require the approval of the director of RBOPS or the Board.

¹ These expenses include those budgeted by Federal Reserve Information Technology and the Office of Employee Benefits that are chargeable to the Reserve Banks. Expenses exclude assessments for the Board of Governors operating expenses, pension costs, the cost of currency, the Consumer Financial Protection Bureau, and the Office of Financial Research.

² Generally, strategic capital initiatives are initiatives that substantially affect or influence future System direction, significant research and development efforts or building projects, and certain large-dollar initiatives. Sensitive acquisitions are capital commitments, while important to meeting the Reserve Banks operating needs, represent exceptions to the Bank's strategic plans.

Total Expense and Employment Summary

Table 1
Reserve Bank Expenses and Staffing
(dollars in millions)

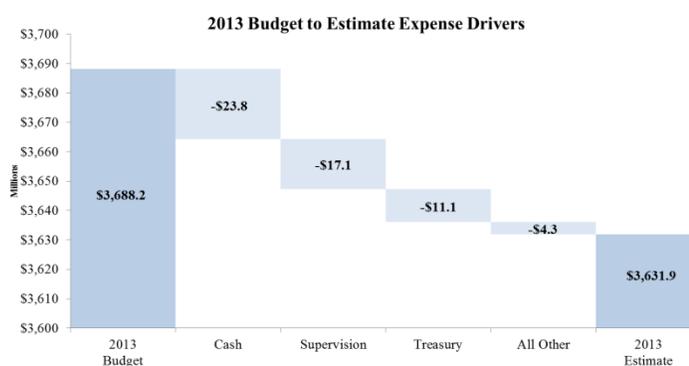
	2013 Budget	2013 Estimate	2013 Budget vs 2013 Estimate		2014 Budget	2013 Estimate vs. 2014 Budget	
			Amount	Percent		Amount	Percent
Central Bank Services	\$2,781.7	\$2,741.4	-\$40.3	-1.4%	\$2,852.0	\$110.6	4.0%
Monetary Policy	433.2	429.3	-3.9	-0.9%	438.3	9.0	2.1%
Open Market (NY)	169.1	170.4	1.3	0.8%	175.8	5.5	3.2%
Public Programs	197.2	196.3	-0.8	-0.4%	201.9	5.6	2.8%
Supervision	1,146.3	1,129.2	-17.1	-1.5%	1,189.4	60.2	5.3%
Cash	578.3	554.4	-23.8	-4.1%	581.7	27.2	4.9%
All Other Central Bank Services*	257.7	261.8	4.1	1.6%	265.0	3.2	1.2%
Treasury Services	522.7	511.6	-11.1	-2.1%	550.2	38.6	7.5%
Priced Services	383.8	378.9	-4.9	-1.3%	393.4	14.6	3.8%
Total Expense	\$3,688.2	\$3,631.9	-\$56.3	-1.5%	\$3,795.7	\$163.8	4.5%
<i>Total ANP</i>	<i>18,656</i>	<i>18,815</i>	<i>159</i>	<i>0.9%</i>	<i>18,979</i>	<i>165</i>	<i>0.9%</i>

*Includes Reserve Accounts and Risk Administration, Loans to Depository Institutions and Services to Other Central Banks.

2013 Budget Performance

Total 2013 expenses are estimated to be \$3,631.9 million, which is \$56.3 million, or 1.5 percent, less than the approved 2013 budget of \$3,688.2 million, while ANP is increasing 159, largely for development work.^{3,4}

The 2013 budget underrun is primarily driven by lower- than-planned expenses for cash, supervision, and Treasury services. Overall net expenses for the national cash automation portfolio were lower than anticipated as the program enters its third phase of development due to an updated CashForward project strategy (-\$16.3 million) and delays in processing equipment installation (-\$4.3 million).⁵ In the supervision function, expense reduction initiatives and delays in hiring



³ ANP is the average number of employees in terms of full-time positions for the period. For instance, a full-time employee who works one-half of the year counts as 0.5 ANP for that calendar year; two half-time employees who work the full year count as one ANP.

⁴ Net expenses are lower although ANP is increasing because capitalizable development work is not reflected in operating expenses until the project is completed and amortization begins.

⁵ The CashForward initiative will replace legacy software applications, automate business processes, and employ technologies to meet current and future needs for the cash function. Phase-1 was completed in 2010 and Phase-2 was completed in July 2012. The project's planned completion date is scheduled for 2017.

budgeted staff led to lower overall expenses (-\$17.1 million). The underrun in Treasury services is due to program changes primarily for the Do Not Pay (-\$4.4 million) program, volume reductions in Treasury Retail Securities (-\$3.7 million), and the timing of other initiatives.⁶

Total 2013 estimated staffing of 18,815 ANP represents an increase of 159 ANP, or 0.9%, from 2013 budgeted levels of 18,656 ANP. The unbudgeted growth in ANP reflects increased application development support for updates to cash technology, supervision, and projects completed on behalf of the Treasury. Additional IT ANP growth is for customer server and storage demand and an increase in network services support due to the Reserve Bank migration to the consolidated environment. Treasury’s Go Direct initiative added temporary staff to manage higher call volumes related to the March 1, 2013 deadline to convert federal benefit check payments to electronic methods.⁷ Partially offsetting these increases are hiring delays in the supervision and monetary policy functions and for the Treasury’s Invoice Processing Platform (IPP).⁸ Other refinements include reductions in savings bond operations due to lower-than-expected volumes.

Table 2	
Significant Staffing (ANP) Changes	
2013 Budget to 2013 Estimate	
2013 Budget	18,656
Additions:	
Application Development*	98
IT Infrastructure	73
Treasury GoDirect	83
Reductions	
Hiring Delays	-71
Other Refinements	-24
2013 Estimate	18,815

* Application development includes local IT as well as embedded support for cash, Treasury, monetary policy, and supervision.

2014 Budgets

Total Operating Expenses

The 2014 operating budgets of the Reserve Banks total \$3,795.7 million, which is \$163.8 million, or 4.5 percent, higher than the 2013 estimate. The largest increase is in the supervision function, which represents almost one-third of total expenses in 2014 and is adding resources to support expanded supervisory responsibilities for large financial institutions (LISCC and LBO portfolios) and continued state member bank growth. In addition, the function is dedicating resources to improve its analytical capabilities.

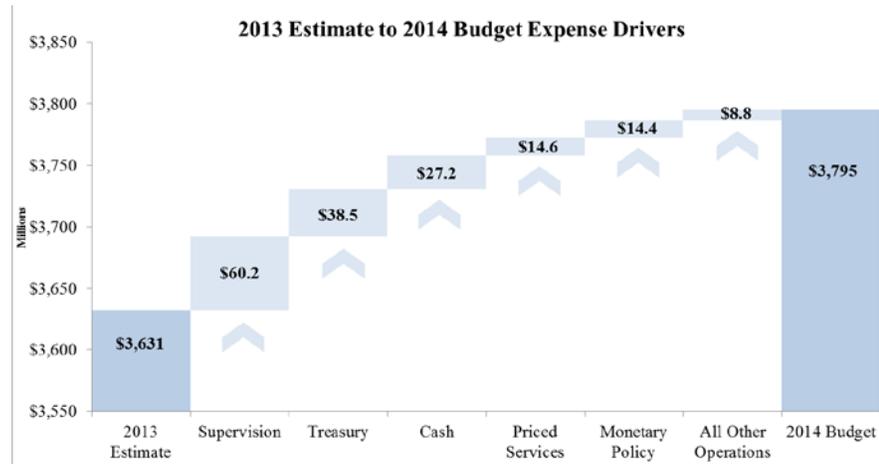
⁶ The Do Not Pay program was established to reduce the number of improper payments made through major programs administered by the federal government.

⁷ Go Direct supports Treasury’s all-electronic initiative requiring that virtually all federal benefit payments be issued electronically by March 1, 2013.

⁸ IPP is a secure, web-based system that manages the government’s invoicing processes.

The budgeted expenses for services to the Treasury, which are fully reimbursable, are increasing to meet greater demand from the Treasury and the amortization of capitalized software projects that were completed and placed into service. There is significant growth related to the Treasury’s efforts to modernize its revenue collection and payment management methods including the Internet Channel (Pay.gov), IPP, and the Post Payment Systems (PPS) (\$23.0 million).⁹ In addition, the Reserve Banks will provide increased support for the Do Not Pay (\$5.1 million) and the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) (\$2.2 million) programs.¹⁰ The Treasury Web Application Infrastructure (TWAI) expenses will also increase as the number of applications hosted in the infrastructure expands (\$8.0 million).

Increases in cash expenses include continued development work on the CashForward projects, cash processing machine upgrades, and increased video surveillance support. The major driver of the priced services increase is for the Fedwire, FedACH, and FedLine modernization programs and enhancements.¹¹



Partially offsetting the increase is reduced check operations expense due to the implementation of the new check processing platform. In the monetary policy area, several Reserve Banks are adding resources to meet policy and research demands, including investments in analytical tools and efforts to enhance resiliency in open market operations.

⁹ The Internet Channel application is a secure government-wide collection portal that was developed to meet Treasury’s commitment to electronic collections processing using Internet technologies. PPS will streamline post-payment processes and eliminate redundant functionality by consolidating several existing applications into a single, centralized system.

¹⁰ The GTAS will replace current reporting systems in a single data collection system that will be used by all government agencies as the primary means of reporting trial balance data to the Office of Management and Budget (OMB).

¹¹ The Fedwire Modernization initiative involves the transition of the Fedwire Funds and Fedwire Securities applications from the legacy mainframe environment to a distributed platform. The FedACH program will transition the FedACH Service platform from the mainframe to a distributed platform. FedLine provides financial institutions with direct access to Federal Reserve System services.

Personnel Expenses and Staffing

Total 2014 projected employment for the Reserve Banks, FRIT, and OEB is 18,979 ANP, an increase of 165 ANP, or 0.9% percent, from 2013 estimated staff levels, primarily driven by supervision and IT. Supervision ANP is increasing as resources are added to support portfolio growth and expanding responsibilities. IT ANP is increasing for a number of large development projects and information security efforts. Staff is also increasing to support monetary policy, programs initiated by the Treasury, and a new video surveillance program. These staff increases are partially offset by a decrease of temporary staff hired in 2013 for GoDirect and efficiencies found in support areas.

Reserve Bank officer and staff salaries and other personnel expenses for 2014 total \$2,139.6 million, an increase of \$103.3 million or 5.1 percent, over 2013 estimated expenses. The increase reflects expenses associated with additional staff and budgeted salary adjustments, including merit increases, equity adjustments, promotions, and funding for variable pay.

The 2014 Reserve Bank budgets reflect a 3.0 percent merit program, effective January 1 for eligible officers, senior professionals, and staff totaling \$48.8 million.¹² Equity adjustments and promotions total \$10.0 million for officers and senior professionals and \$19.1 million for staff. Funding for variable pay programs for officers, senior professionals, and staff totals \$156.9 million. The federal civilian employee pay freeze is scheduled to expire on December 31, 2013.

Table 3	
Significant Staffing (ANP) Changes	
2013 Estimate to 2014 Budget	
2013 Estimate	18,815
Additions:	
Supervision	103
Application Development*	90
Other Treasury project and operation support	37
Monetary Policy	34
Information Security	29
Other Refinements	31
Reductions	
Treasury GoDirect	-112
Support and Overhead	-46
2014 Budget	18,979

*Application development includes local IT as well as embedded support for cash, Treasury, monetary policy, and supervision.

¹² The Reserve Banks may not distribute 2014 officer merit and equity funds without authorization by the BAC chair, based on the disposition of the pay freeze on the Reserve Banks.

Operating expenses, net of revenue and reimbursements

More than 26 percent of Reserve Bank expenses in the 2014 budget are offset by either priced service revenues (11.2 percent) or reimbursable claims for services provided to the Treasury and other agencies (15.0 percent).¹³ Budgeted 2014 operating expenses, net of revenue and reimbursements, are expected to increase \$138.0 million, or 5.2 percent, from 2013 estimated expenses. Budgeted 2014 priced services revenue is 3.7 percent lower than the 2013 estimated level, primarily reflecting continued declines in check volume as customers shift to other payment methods. Reimbursable claims are expected to increase 8.0 percent in 2014, reflecting increased activity on new or expanded Treasury services.

Table 4
Change in Net Expenses
(dollars in millions)

	2013 Budget	2013 Estimate	2014 Budget	Percent Change	
				13B vs. 13E	13E vs. 14B
Total Expense	\$3,688.2	\$3,631.9	\$3,795.7	-1.5%	4.5%
Less:					
Priced Services Revenue*	423.9	439.9	423.6	3.8%	-3.7%
Reimbursable Claims	539.4	527.0	569.1	-2.3%	8.0%
Net Expenses	\$2,724.9	\$2,665.0	\$2,803.0	-2.2%	5.2%

*Full cost recovery is projected in the aggregate for priced services in 2014.

2014 Capital Budgets

The 2014 capital budgets submitted by the Reserve Banks, FRIT, and OEB total \$475.4 million, or 3.4 percent, below the 2013 budget. The 2013 estimated capital spending is lower than the budget by \$114.3 million, or 23.2 percent, because capital for ongoing multiyear programs shifts from 2013 to 2014. The increase in the 2014 capital budget is \$97.6 million, or 25.8 percent, above the 2013 estimate. The few major new initiatives in the 2014 capital budget support monetary policy, optimize work space, and accommodate an increasing demand for video conferencing associated with travel reductions (\$13.4 million).

In support of the Reserve Bank strategies, the 2014 budgets include three categories of capital initiatives: Reserve Bank automation projects, building and infrastructure, and Treasury initiatives.

Automation

The Reserve Banks, FRIT, and OEB included \$225.5 million in funding for major IT initiatives and Reserve Bank automation projects. Multiyear projects currently underway to

¹³ Reimbursable claims include the expenses of fiscal agency and depository services provided to the U.S. Treasury, other government agencies, and other fiscal principals. Reimbursable claims are slightly higher than Treasury service expenses shown in table 1 because the reimbursable claims also include expenses associated with the government's use of the Reserve Banks' check, ACH, Fedwire Funds, and Fedwire Securities services; these expenses are included in priced services expense in table 1.

migrate major applications off the mainframe represent \$33.5 million of the 2014 capital budget.¹⁴ The Reserve Bank consolidated network project and increased demand for storage capacity account for an additional \$67.6 million. Cash services automation initiatives include \$37.9 million for the CashForward project and \$9.6 million for cash sensor upgrades. Other automation initiatives include development of analytical and operational tools supporting monetary policy, data security projects, and scheduled software and equipment upgrades.

Building and infrastructure

Building and infrastructure projects represent \$190.8 million of the proposed capital budget. Renovations to achieve more efficient use of existing building space are proposed for FRB New York (\$35.7 million), FRB Cleveland (\$4.9 million), and FRB Richmond (\$4.5 million), as well as floor renovation programs at FRB Boston (\$7.2 million) and FRB San Francisco (\$4.4 million). FRB Chicago continues its building security project (\$6.2 million), and FRB Boston will modernize its elevators (\$5.0 million). The remaining outlays in this category fund many other ongoing maintenance and facility improvements.

Treasury

The capital budgets also include \$59.1 million for Treasury initiatives, including support for TWAI (\$10.9 million), PPS (\$4.7 million), IPP (\$4.7 million), Treasury Retail Electronic Services (\$4.6 million), and Internet Channel (\$4.2 million).

Five-Year Trend in Reserve Bank Expenses

Total expenses for the Reserve Banks have grown an average of 3.8 percent annually over the past five years from 2009 through the 2014 budget.

Table 5
Total Expenses of the Federal Reserve Banks, by Functional Area
(dollars in millions)

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Estimate	2014 Budget	CAGR 2009-2014
Monetary and Economic Policy	\$501.3	\$497.7	\$532.3	\$563.3	\$599.7	\$614.1	4.1%
Services to U.S. Treasury and Gov't Agencies	429.7	433.4	459.1	477.3	511.6	550.2	5.1%
Services to Financial Institutions and the Public	880.7	982.6	954.1	977.5	1,012.5	1,048.5	3.6%
Supervision	725.3	801.9	917.4	1,056.6	1,129.2	1,189.4	10.4%
Fee Based Services to Financial Institutions	605.6	467.4	398.3	387.5	378.9	393.4	-8.3%
Total	\$3,142.5	\$3,183.0	\$3,261.3	\$3,462.1	\$3,631.9	\$3,795.7	3.8%

¹⁴ The Reserve Bank migration strategy involves moving a majority of applications from the mainframe to alternate processing environments. Projects included in the 2014 budget include the migration of the Fedwire, FedACH, accounting, and statistics and reserves systems (STAR).

Trends in Central Bank Services Total Expense

Central bank services have grown an average of 6.2 percent annually over the past five years. Supervision is driving a large portion of this expense increase, with an average of 10.4 percent expense growth per year over the

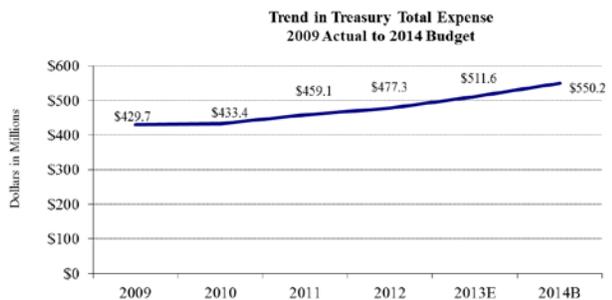
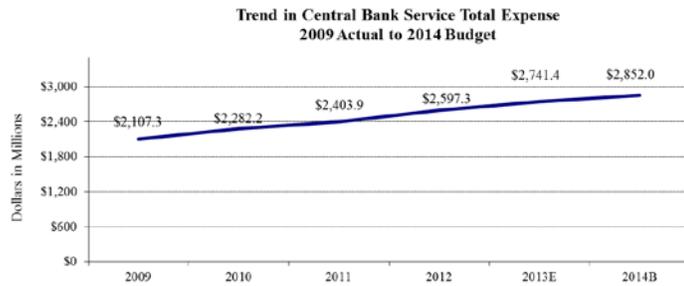
past five years and a corresponding increase of 1,107 ANP since 2009. The additional resources and staffing were added over this period in response to the financial crisis and to implement the Dodd-Frank Act requirements. More recently, growth in the number of supervised state member banks has resulted in additional resource demands. Forecasted resource growth in supervision expense beyond 2014 is expected to moderate and remain fairly stable going forward, as the number of problem institutions are projected to decline.

Monetary policy expenses have grown on average 4.1 percent annually. This growth is largely driven by increases in FRB New York to support asset purchase programs and operational and analytical tools to address the increased needs and responsibilities for financial stability monitoring. Increased resources dedicated to regional economic research are also reflected in the monetary policy growth.

Expenses in the cash area have increased on average 4.0 percent annually, as a multiyear effort to modernize the cash processing and inventory-tracking infrastructure continues. These increases have been partially offset by efficiency improvements in cash operations.

Trends in Treasury Services Expense

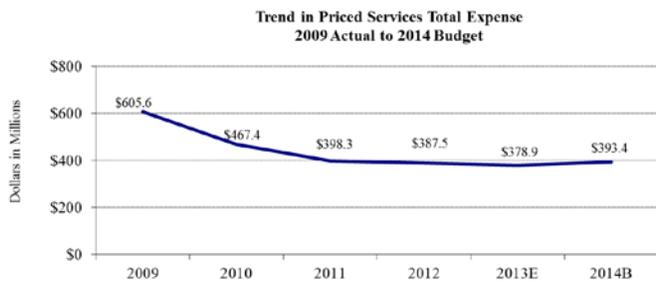
Treasury services expenses have grown on average 5.1 percent annually since 2009. Expenses have increased to meet the Treasury's evolving needs, including continuing initiatives such as the Do Not Pay project, the Internet Channel, and other requested projects. Larger increases



in the past two years are due to the automation of Treasury's collection and payment services. A portion of the growth has been offset by staffing reductions and program changes initiated by the Treasury including the Treasury Retail Securities consolidation effort.

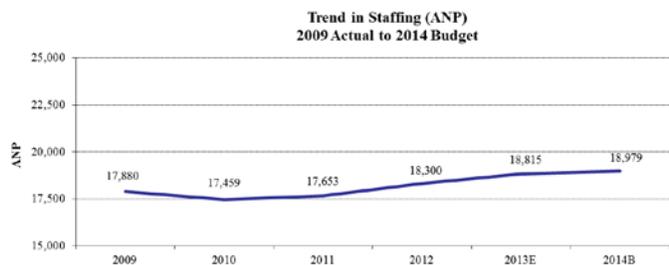
Trends in Priced Services Total Expense

Priced services expenses have decreased at an average of 8.3 percent annually. With the continued decline of paper-check volume and the efficiencies associated with electronic check processing, check service expenses have declined an average of 21.3 percent annually since 2009. These declines have been slightly offset by increases for the Fedwire, FedACH, and FedLine modernization program and enhancements.



Trends in Staffing

Total staffing levels are increasing at an average of 1.2% annually since 2009. The primary driver is in supervision to address Dodd-Frank Act implementation as well as portfolio growth. IT is also a driver of increased staffing to support information security efforts and large development projects. Monetary policy areas have grown modestly for financial stability and operational support. These increases are offset, in part, by decreased staffing in priced services functions.



Risks in the 2014 Budget

Risks to the budget remain largely consistent with those recognized last year. In particular, the most significant risks in the 2014 budget are related to staffing. Banks are concerned about their ability to hire and retain staff, particularly in locations where the employment market is improving. A number of Reserve Banks have aggressive hiring plans, and some Banks may experience difficulty meeting schedules for hiring staff with specialized skills and experience, particularly in supervision and IT. The primary risks in supervision relate to changes that may be needed in supervisory programs to implement key Federal Reserve

responsibilities under the Dodd-Frank Act where the final rules have not yet been adopted. The Treasury continues to refine its future vision for collections, payments, and cash management systems, along with the timing of different components of its projects. The effect on Treasury-directed Reserve Bank initiatives is currently unknown and will affect projects over a longer term planning horizon.

ATTACHMENT

Statistical Supplement

Table A	Total Expenses of the Federal Reserve Banks, by District
Table B	Total Employment of the Federal Reserve Banks, by District
Table C	Total Employment of the Federal Reserve Banks, by Functional Area
Table D	Budgeted Changes to the Cash Compensation Components of the Federal Reserve Banks, Officers and Staff, by District
Table E	Capital Outlays of the Federal Reserve Banks, by District
Table F	Capital Outlays of the Federal Reserve Banks, by Category

Notes: In the following tables, Reserve Bank expenses include those budgeted by FRIT and OEB that are chargeable to the Reserve Banks.

Components may not add to totals because of rounding. Table-to-table comparisons may also differ due to rounding.

Table A

TOTAL EXPENSES OF THE FEDERAL RESERVE BANKS
by District, 2013 and 2014
(Dollars in Thousands)

District	2013 Budget	2013 Estimate	2014 Budget	Percent Change		
				13B vs. 13E	13E vs. 14B	13B vs. 14B
Boston	207,175	203,127	220,134	-2.0%	8.4%	6.3%
New York	896,777	896,035	908,868	-0.1%	1.4%	1.3%
Philadelphia	198,951	193,694	202,612	-2.6%	4.6%	1.8%
Cleveland	158,372	156,399	176,213	-1.2%	12.7%	11.3%
Richmond	372,699	361,052	360,955	-3.1%	0.0%	-3.2%
Atlanta	318,710	312,782	318,983	-1.9%	2.0%	0.1%
Chicago	326,131	322,566	340,698	-1.1%	5.6%	4.5%
St. Louis	258,046	260,562	285,778	1.0%	9.7%	10.7%
Minneapolis	189,561	184,939	199,831	-2.4%	8.1%	5.4%
Kansas City	214,515	207,971	222,383	-3.1%	6.9%	3.7%
Dallas	214,455	207,826	212,245	-3.1%	2.1%	-1.0%
San Francisco	332,772	324,920	346,958	-2.4%	6.8%	4.3%
Total	3,688,165	3,631,874	3,795,657	-1.5%	4.5%	2.9%

TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS
by District, 2013 and 2014
(Average Number of Personnel)

District	2013 Budget	2013 Estimate	2014 Budget	Change		
				13B vs. 13E	13E vs. 14B	13B vs. 14B
Boston	1,080	1,039	1,097	-41	58	17
New York	3,326	3,295	3,247	-31	-48	-79
Philadelphia	944	913	946	-31	32	1
Cleveland	908	937	968	29	31	60
Richmond	1,541	1,555	1,586	14	31	45
Atlanta	1,630	1,626	1,627	-3	1	-3
Chicago	1,490	1,490	1,512	0	21	21
St. Louis	1,066	1,090	1,145	24	56	79
Minneapolis	1,147	1,135	1,133	-12	-1	-13
Kansas City	1,430	1,450	1,512	20	62	82
Dallas	1,239	1,304	1,217	65	-86	-21
San Francisco	1,599	1,647	1,671	48	24	72
Subtotal	17,400	17,481	17,662	80	181	262
FRIT	1,202	1,283	1,265	80	-17	63
OEB	53	51	52	-2	1	-1
Total	18,656	18,815	18,979	159	165	324

TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS¹
by Functional Area
(Average Number of Personnel)

	2009	2010	2011	2012	2013E	2014B	CAGR
							2009-2014
Monetary and Economic Policy	1,081	1,115	1,179	1,223	1,241	1,274	3.4%
Services to U.S. Treasury and Gov't Agencies	1,147	1,092	1,114	1,071	1,142	1,114	-0.6%
Services to Financial Institutions and the Public	2,786	2,828	2,719	2,659	2,675	2,680	-0.8%
Supervision	2,863	3,052	3,339	3,725	3,867	3,969	6.8%
Fee Based Services to Financial Institutions	1,772	1,147	910	840	719	699	-17.0%
Local Support and Overhead	6,461	6,379	6,303	6,457	6,666	6,701	0.7%
Nationally Provided Support	909	972	1,084	1,274	1,314	1,343	8.1%
Centralized Service Providers	861	873	1,003	1,051	1,191	1,199	6.8%
Total	17,880	17,459	17,653	18,300	18,815	18,979	1.2%

¹ Includes average number of personnel (ANP) at FRIT and OEB.

Nationally Provided Support: Support services performed on behalf of multiple Districts under a regionalized or centralized function. In this table, select nationally provided support ANP have been included in the associated functional areas. The table has been recategorized from previous years for consistency in reporting.

Centralized Service Providers: Support services provided by FRIT and OEB.

**BUDGETED CHANGES TO CASH COMPENSATION PROGRAMS OF THE FEDERAL RESERVE BANKS
Officers and Staff by District, 2014
(Dollars in Thousands)**

District	Total 12/31/13 Salary Liability (a)	Additions to Salary Base				Incremental Variable Pay (e)	Total	
		Merit (b)	Equity & Market Adjustments (c)	Promotions and Reclasses (d)	Percentage Increase to Total 12/31/13 Salary Liability (b + c + d) / (a)		Dollars (b + c + d + e)	Percentage Increase to Total 12/31/13 Salary Liability (b + c + d + e) / (a)
Boston	107,826	3,235	824	705	4.4%	465	5,229	4.8%
New York	399,527	11,819	3,260	6,521	5.4%	1,828	23,428	5.9%
Philadelphia	78,492	2,355	631	854	4.9%	514	4,354	5.5%
Cleveland	79,376	2,365	595	812	4.8%	1,052	4,823	6.1%
Richmond	132,571	3,888	957	605	4.1%	-24	5,425	4.1%
Atlanta	127,534	3,027	614	929	3.6%	556	5,127	4.0%
Chicago	144,451	3,305	759	1,056	3.5%	587	5,708	4.0%
St. Louis	89,051	2,671	455	701	4.3%	973	4,801	5.4%
Minneapolis	88,173	2,645	650	441	4.2%	397	4,133	4.7%
Kansas City	108,499	3,255	802	1,339	5.0%	1,955	7,350	6.8%
Dallas	93,910	2,157	696	516	3.6%	440	3,809	4.1%
San Francisco	159,920	4,710	1,115	968	4.2%	624	7,416	4.6%
FRIT	125,107	3,128	832	1,251	4.2%	1,373	6,584	5.3%
OEB	7,149	214	75	70	5.0%	53	412	5.8%
Total	1,741,588	48,774	12,264	16,767	4.5%	10,793	88,599	5.1%

The table above shows the cash compensation components that add to base salary (merit, equity, and promotion) and the 2014 incremental increase in variable pay expense compared to those estimated for 2013.

December 31, 2013 Salary Liability: The annualized salary expense based on the salaries in effect on December 31.

Merit: The amount of 2014 budgeted salary expense that reflects the cumulative effect of planned salary increases based on performance.

Equity Adjustments: The amount of 2014 budgeted salary expense to bring individual salaries to the minimum of a grade range or to better align salaries based on internal or external compensation pressures.

Promotions: The amount of 2014 budgeted salary expense that reflects salary increases for individuals as a result of promotions resulting from a significant increase in job responsibilities.

Variable Pay: The change in 2014 budgeted incentive payments (payment for the achievement of pre-determined goals) and cash awards (awards in recognition of exceptional achievements) compared to the 2013 estimate.

CAPITAL OUTLAYS OF THE FEDERAL RESERVE BANKS
by District, 2013 and 2014
(Dollars in Thousands)

District	2013 Budget	2013 Estimate	2014 Budget	Percent Change		
				13B vs. 13E	13E vs. 14B	13B vs. 14B
Boston	49,710	31,320	41,926	-37.0%	33.9%	-15.7%
New York	122,460	96,803	114,967	-21.0%	18.8%	-6.1%
Philadelphia	18,833	12,794	21,191	-32.1%	65.6%	12.5%
Cleveland	15,589	9,712	22,010	-37.7%	126.6%	41.2%
Richmond	32,146	26,290	15,705	-18.2%	-40.3%	-51.1%
Atlanta	21,874	14,122	16,724	-35.4%	18.4%	-23.5%
Chicago	49,923	34,459	38,126	-31.0%	10.6%	-23.6%
St. Louis	8,208	12,096	13,527	47.4%	11.8%	64.8%
Minneapolis	15,624	18,320	13,534	17.3%	-26.1%	-13.4%
Kansas City	8,458	14,672	15,595	73.5%	6.3%	84.4%
Dallas	15,467	9,778	18,088	-36.8%	85.0%	16.9%
San Francisco	53,137	34,542	65,093	-35.0%	88.4%	22.5%
Subtotal	411,431	314,907	396,486	-23.5%	25.9%	-3.6%
FRIT	80,510	62,905	78,449	-21.9%	24.7%	-2.6%
OEB	200	-	469	-100.0%	-	134.5%
Total	492,141	377,812	475,404	-23.2%	25.8%	-3.4%

Table F

CAPITAL OUTLAYS OF THE FEDERAL RESERVE BANKS¹
by Category, 2013 and 2014
(Dollars in Thousands)

	2013 Budget	2013 Estimate	2014 Budget	Percent Change		
				13B vs. 13E	13E vs. 14B	13B vs. 14B
Building/Infrastructure Projects	207,816	141,466	190,819	-31.9%	34.9%	-8.2%
IT & System Automation Projects	236,380	184,630	225,514	-21.9%	22.1%	-4.6%
Treasury Initiatives	47,945	51,716	59,071	7.9%	14.2%	23.2%
TOTAL	492,141	377,812	475,404	-23.2%	25.8%	-3.4%

¹ Includes capital outlays for the twelve Reserve Banks, FRIT, and OEB.