

# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF RESERVE BANK OPERATIONS AND PAYMENT SYSTEMS

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## 2016 Reserve Bank Budgets

### Action

On December 16, 2015, the Board approved the 2016 Reserve Bank operating budgets totaling \$4,116.6 million, an increase of \$219.9 million, or 5.6 percent, from the 2015 estimated expenses and \$147.9 million, or 3.7 percent, from the approved 2015 budget.<sup>1</sup> The Board also approved the Reserve Bank, Federal Reserve Information Technology (FRIT), and the Office of Employee Benefits (OEB) capital budgets, which total \$696.7, of which \$403.8 million is budgeted in 2016.<sup>2</sup>

The Board approved the Reserve Banks' single and multiyear capital budgets. In previous years, the Board approved a single-year capital budget that included only the current portion of multiyear expenditures and the single-year initiatives. The chair of the Bank Affairs Committee designated certain projects as strategic or sensitive; the Reserve Banks are required to provide further information about these projects and obtain approval from the director of RBOPS prior to committing funds.<sup>3</sup>

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<sup>1</sup> These expenses include those budgeted by Federal Reserve Information Technology and the Office of Employee Benefits that are chargeable to the Reserve Banks. Operating expenses exclude pension costs and assessments by the Board of Governors for costs related to currency and the operations of the Board of Governors and the Consumer Financial Protection Bureau.

<sup>2</sup> See tables in the attachment for expense and capital amounts by Reserve Bank.

<sup>3</sup> The Board's Policies and Guidelines Concerning Reserve Bank Operations (FRAM 1-049) states that Reserve Bank management may commit funding for capital commitments included in the Bank's capital budget approved by the Board, unless the acquisition is designated as strategic or sensitive by the BAC chair. Generally, strategic capital initiatives substantially affect or influence future System direction, significant research and development efforts or building projects, and certain large-dollar initiatives. Sensitive acquisitions may include commitments that may be inconsistent with System direction or vary from previously negotiated purchasing agreements, or local initiatives that may duplicate national efforts.

## TOTAL EXPENSE AND EMPLOYMENT SUMMARY

Reserve Bank Expenses and Staffing									
(dollars in millions)									
	2015 Budget	2015 Estimate	15E to 15B		2016 Budget	16B to 15E		16B to 15B	
			Amount	Percent		Amount	Percent	Amount	Percent
<b>Central Bank Services</b>	<b>\$2,970.5</b>	<b>\$2,945.1</b>	<b>-\$25.4</b>	<b>-0.9%</b>	<b>\$3,087.7</b>	<b>\$142.6</b>	<b>4.8%</b>	<b>\$117.2</b>	<b>3.9%</b>
Monetary Policy	443.7	444.8	1.1	0.3%	460.9	16.1	3.6%	17.2	3.9%
Open Market	193.1	189.3	-3.8	-1.9%	202.9	13.6	7.2%	9.8	5.1%
Public Programs	207.8	209.9	2.1	1.0%	217.5	7.6	3.6%	9.7	4.7%
Supervision	1,260.2	1,253.6	-6.5	-0.5%	1,311.6	58.0	4.6%	51.5	4.1%
Cash	593.6	585.0	-8.7	-1.5%	619.7	34.8	5.9%	26.1	4.4%
Loans to Depository Institutions	78.1	76.5	-1.6	-2.0%	76.6	0.0	0.1%	-1.5	-1.9%
All Other Central Bank Services <sup>1</sup>	194.1	186.0	-8.1	-4.2%	198.6	12.6	6.8%	4.5	2.3%
<b>Treasury Services</b>	<b>579.9</b>	<b>556.6</b>	<b>-23.3</b>	<b>-4.0%</b>	<b>605.6</b>	<b>49.0</b>	<b>8.8%</b>	<b>25.7</b>	<b>4.4%</b>
<b>Fee-Based Services<sup>2</sup></b>	<b>418.2</b>	<b>395.0</b>	<b>-23.2</b>	<b>-5.6%</b>	<b>423.3</b>	<b>28.2</b>	<b>7.1%</b>	<b>5.0</b>	<b>1.2%</b>
<b>Total Expense</b>	<b>\$3,968.7</b>	<b>\$3,896.7</b>	<b>-\$72.0</b>	<b>-1.8%</b>	<b>\$4,116.6</b>	<b>\$219.9</b>	<b>5.6%</b>	<b>\$147.9</b>	<b>3.7%</b>
<i>Total ANP</i>	<i>19,295</i>	<i>19,022</i>	<i>-273</i>	<i>-1.4%</i>	<i>19,424</i>	<i>401</i>	<i>2.1%</i>	<i>128</i>	<i>0.7%</i>

<sup>1</sup>Includes Reserve Accounts and Risk Administration and Services to Other Central Banks

<sup>2</sup>Fee-based services are all expenses associated with the Priced Services, including the check service, the FedACH Service, the Fedwire Funds and National Settlement Service, and Fedwire Securities Service.

## DISCUSSION

### 2015 Budget Performance

Total 2015 operating expenses for the Reserve Banks are estimated to be \$3,896.7 million, which is \$72.0 million, or 1.8 percent, less than the approved 2015 budget of \$3,968.7 million. Estimated ANP is less than the 2015 budget, largely because of changes in project plans, turnover, and hiring delays.<sup>4</sup>

The 2015 budget underrun is primarily driven by program changes for several multiyear initiatives, including those related to the Treasury Web Application Infrastructure (TWAI), the fiscal agent consolidation, Fedwire modernization, and the CashForward project.<sup>5,6,7</sup> Expenses associated with the Federal Reserve's initiatives included in the January

<sup>4</sup> 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 1 ANP.

<sup>5</sup> In April 2014, the Treasury announced the consolidation of the fiscal agent services provided by the Federal Reserve Banks as part of its effort to increase operational efficiency and effectiveness. The Treasury anticipates long-term savings, once services are transitioned from ten sites to four consolidated sites. Select business lines began transitioning in 2014.

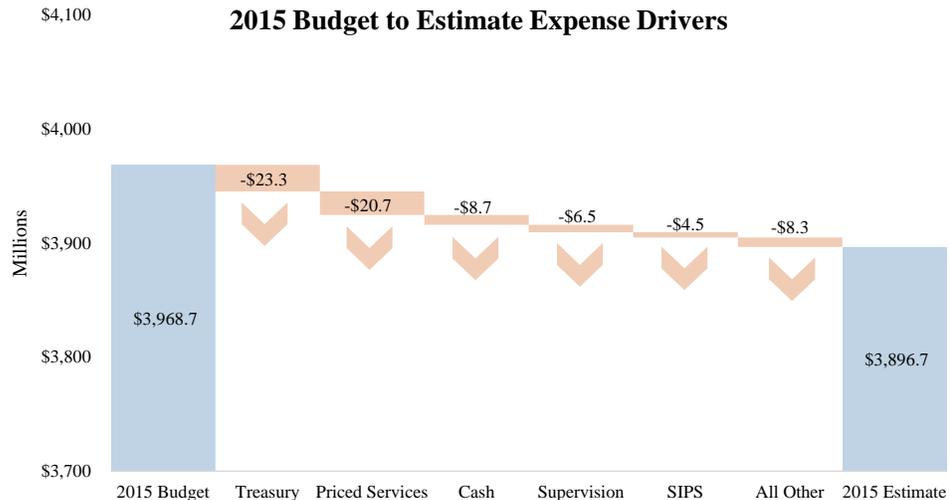
<sup>6</sup> The Fedwire Modernization initiative involves the transition of the Fedwire Funds and Fedwire Securities applications from the legacy mainframe environment to a distributed platform.

<sup>7</sup> 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 in 2017.

2015 Strategies for Improving the U.S. Payment System (SIPS) project are somewhat lower than budgeted for the year as onboarding of staff and other support took longer than planned.<sup>8</sup>

System expenses are also lower as a result of continued efficiencies gained from the check server platform migration, the FedLine application conversion, and the implementation of the cash

evolving operations initiative. In addition, check and cash services experienced greater volume declines than anticipated.



Higher-than-

expected recoveries for currency cross-shipping also contribute to the underrun. Other expenses are expected to decline primarily due to the deferral of development efforts for the Fedwire Scan application.

Total 2015 estimated employment for the Reserve Banks, FRIT, and OEB is 19,022 ANP, an underrun of 273 ANP, or 1.4 percent, from 2015 budgeted staff levels. The underruns are primarily in Treasury, cash, and support services. In the Treasury function, resource reductions are in response to revised program plans and accelerated attrition related to the fiscal agent consolidation. The cash resource reductions reflect the implementation of the evolving operations efficiency initiative. Support services and all other areas reflect turnover and hiring delays.

### 2016 Budgeted Operating Expenses

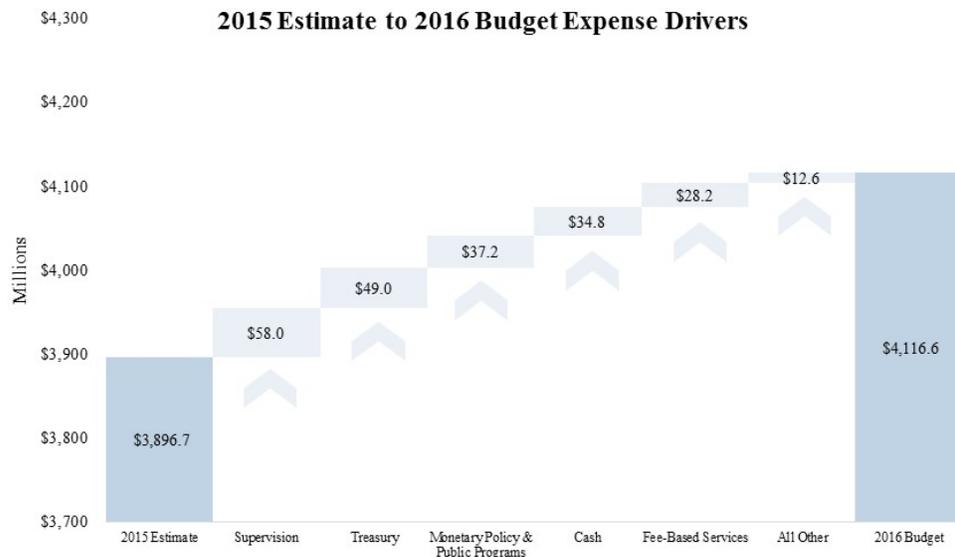
The 2016 operating budgets of the Reserve Banks total \$4,116.6 million, which is \$219.9 million, or 5.6 percent, higher than the 2015 estimate. The increase is primarily to fill

<sup>8</sup> The System's payment strategies call for a new U.S. payment infrastructure to support a safer, faster payment capability that promotes efficient commerce, facilitates innovation, reduces fraud, and improves public confidence; and accelerated development and adoption of enhanced payment security standards.

staffing needs in supervision, Treasury, and monetary policy and for large development projects that support cash and the priced services. The largest increase is in the supervision function, which represents approximately one-third of total expenses budgeted in 2016. The growth in supervision continues to be driven by expanded supervisory responsibilities, primarily for large financial institutions, and national supervision initiatives.

Budgeted expenses for services to the Treasury, which are fully reimbursable, are increasing primarily to support the TWAI (\$8.5 million), the full implementation of NavyCash (\$10.5 million), the assumption of the Collections Information Repository (CIR) (\$5.3 million), the expansion of the Financial Information Repository (FIR) to accommodate the requirements of the Digital Accountability and Transparency (DATA) Act (\$3.3 million), and the myRA and Retail Program Review initiatives (\$3.5 million). Additional growth budgeted in 2016 related to application development and technology modernization for several Treasury initiatives is partially offset by anticipated operational efficiencies.

In the monetary policy and public programs areas, several Reserve Banks are filling research, policy, and outreach staff positions. Expenses for



open market trading, largely for automation efforts, and the allocated costs for law enforcement are also projected to increase.

Increases in cash expenses are related to the implementation of the CashForward project and the roll-out of next-generation currency processing machines, as well as the allocated law enforcement and facilities support.

Priced services expenses are expected to increase for the ACH platform modernization project and investments in development efforts for Fedwire; including application

architecture upgrades, amortization for completed development, and post-modernization initiatives.

Other increases include the System's continued investment in the SIPS program and liaison and outreach for international institutions.

### **2016 Personnel Expenses and Staffing**

Total 2016 budgeted employment for the Reserve Banks, FRIT, and OEB is 19,424 ANP, an increase of 401 ANP, or 2.1 percent, from 2015 estimated staff levels. The increase is primarily driven by the Treasury, supervision, and support and overhead functions. In the Treasury function, ANP increases are due to the assumption of new business lines from commercial banks and updated requirements for ongoing projects. Supervision ANP is increasing as resources are added for expanded responsibilities and associated new supervisory programs for the largest supervisory portfolios and for national supervision initiatives.

Support and overhead increases include additional resources for information technology (IT), facilities, internal audit, and corporate planning. Additional ANP are also planned to support the SIPS program.

Reserve Bank officer and staff salaries and other personnel expenses for 2016 total \$2,354.5 million, an increase of \$127.6 million, or 5.7 percent, from 2015 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.

### **2016 Operating expenses, net of revenue and reimbursements**

More than 25 percent of Reserve Bank expenses in the 2016 budget are offset by either priced service revenues (10.4 percent) or reimbursable claims for services provided to the Treasury and other agencies (15.9 percent).<sup>9</sup> Budgeted 2016 operating expenses, net of revenue

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<sup>9</sup> 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 the *Change in Net Expenses* table 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 the *Change in Net Expenses* table.

and reimbursements, are expected to increase \$207.0 million, or 7.3 percent, from 2015 estimated expenses.<sup>10</sup>

Based on their final budgets, the Reserve Banks have lowered their projected 2016 priced services cost-recovery rate from 101.9 percent to 101.4 percent.<sup>11</sup> Although the

Reserve Banks project that the check service will fully recover its costs, they project slight underrecovery	Change in Net Expenses (dollars in millions)				
	2015 Budget	2015 Estimate	2016 Budget	Percent Change 15E- 15B    16B - 15E	
Total Expense	\$3,968.7	\$3,896.7	\$4,116.6	-1.8%	5.6%
Less:					
Priced Services Revenue*	414.4	427.0	426.8	3.0%	-0.1%
Reimbursable Claims	626.1	639.4	652.6	2.1%	2.1%
<b>Net Expenses</b>	<b>\$2,928.2</b>	<b>\$2,830.2</b>	<b>\$3,037.3</b>	<b>-3.3%</b>	<b>7.3%</b>

\*Full cost recovery is projected in the aggregate for priced services in 2016.

of costs (including imputed return on equity) for the remaining priced services because of investment costs associated with multiyear technology initiatives to modernize their processing platforms and investments in Fedwire resiliency. Budgeted 2016 priced services revenue is 0.1 percent lower than the 2015 estimated level.

Reimbursable claims are expected to increase 2.1 percent in 2016, reflecting increased activity for new or expanded Treasury services and increased costs for ACH and Securities services.

## 2016 Capital Budgets

The 2016 capital budgets submitted by the Reserve Banks, FRIT, and OEB total \$403.8 million. The increase in the 2016 capital budget is \$37.7 million, or 10.3 percent, above the 2015 estimated levels of \$366.2 million, largely reflecting ongoing multiyear building and information technology projects. New initiatives in the 2016 capital budget support the ACH modernization efforts, application upgrades and releases, and security enhancements. The committee chair designated a portion of these budgets, \$125.3 million in 2016, as strategic or sensitive, requiring additional review and approval by the RBOPS director. The remainder of the budgets was approved in two categories: 1) approval for significant capital expenditures for 2016

<sup>10</sup> Reimbursable claims exclude annual assessments for the supervision of large financial companies pursuant to Regulation TT, which are not recognized as revenue or used to fund System expenses. The supervision assessment represents approximately one-third of total supervision expenses.

<sup>11</sup> See the Board's announcement of 2016 fees for priced services at 80 FR 70783, November 16, 2015, which can be found at <https://federalregister.gov/a/2015-28932>.

and the remaining term of these projects (\$305.0 million), and 2) single-year approval for all other capital expenditures by asset class (\$111.8 million).

*Capital expenditures designated as strategic or sensitive*

The chair of the Committee on Federal Reserve Bank Affairs designated as strategic or sensitive budgeted 2016 expenditures of \$125.3 million and total multiyear budgeted expenditures of \$279.9 million for 2016 and future years. The expenditures designated as strategic and sensitive include

projects to migrate major applications off the mainframe with budgeted 2016 expenditures of \$18.4 million and total multiyear budgeted expenditures of \$32.5 million for 2016 and future years.<sup>12</sup> Cash automation initiatives include \$23.6 million for the CashForward project. Other expenditures include large-scale building projects to optimize office space, renovate conference center and cafeteria space, and mechanical and electrical infrastructure upgrades.

**2016 Capital Budget**  
(dollars in millions)

	2016 Capital	2017 and Beyond Capital	Total
<b>Capital expenditures designated as strategic or sensitive<sup>1</sup></b>	<b>\$125.3</b>	<b>\$154.7</b>	<b>\$279.9</b>
Projects previously designated	100.4	95.9	196.3
New strategic or sensitive projects	24.9	58.8	83.7
<b>Other significant capital expenditures</b>	<b>166.8</b>	<b>138.2</b>	<b>305.0</b>
<b>Other capital expenditures</b>	<b>111.8</b>		<b>111.8</b>
Art	0.2		0.2
Building	18.0		18.0
Building, Machinery, & Equipment	14.1		14.1
Equipment	46.7		46.7
Furniture, Furnishings, & Fixtures	6.4		6.4
Land Improvements	0.6		0.6
Software	25.9		25.9
<b>Total Capital Budget<sup>2</sup></b>	<b>\$403.8</b>	<b>\$292.9</b>	<b>\$696.7</b>

<sup>1</sup>Previously designated projects may include amounts that have already been approved by the Director of RBOPS that are not reflected on this chart.

<sup>2</sup>Excludes \$1.0 million for the cancelled End-to-End Billing project at FRB Dallas.

*Other significant capital expenditures*

Significant capital expenditures (expenditures exceeding \$1 million) that have not been designated strategic or sensitive comprise budgeted 2016 expenditures of \$166.8 million and total multiyear budgeted expenditures of \$305.0 million for 2016 and future years. Projects in this category include investments in analytical, technological, and operational tools for monetary policy, support for supervisory responsibilities, and IT support for Treasury initiatives.

<sup>12</sup> The Reserve Bank migration strategy involves moving a majority of applications from the mainframe to alternate processing environments. 2016 budgeted projects include the migration of the statistics and reserves (STAR) applications and the ACH processing platform.

Building expenditures include office space renovations, security enhancements, and elevator upgrades.

*Other capital expenditures*

The 2016 capital budgets include \$111.8 million for other capital expenditures. These projects are typically single-year smaller building maintenance expenditures, equipment and furniture replacements, and scheduled software and equipment upgrades.

**Five-Year Trend in Reserve Bank Expenses**

Total expenses for the Reserve Banks have grown an average of 4.8 percent annually from 2011 actual through the 2016 budget.

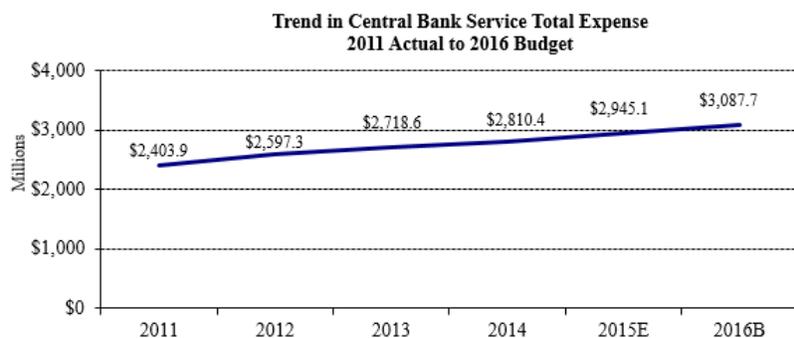
Total Expenses of the Federal Reserve Banks, by Functional Area							
(dollars in millions)							
	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimate	2016 Budget	5-Year CAGR* 2011-2016
Monetary and Economic Policy	\$532.3	\$563.3	\$596.5	\$609.2	\$634.1	\$663.8	4.5%
Services to U.S. Treasury and Gov't Agencies	459.1	477.3	500.5	531.7	556.6	605.6	5.7%
Services to Financial Institutions and the Public	954.1	977.5	1,003.4	1,032.7	1,057.4	1,112.3	3.1%
Supervision	917.4	1,056.6	1,118.8	1,168.5	1,253.6	1,311.6	7.4%
Fee-Based Services to Financial Institutions	398.3	387.5	372.4	410.3	395.0	423.3	1.2%
<b>Total</b>	<b>\$3,261.3</b>	<b>\$3,462.1</b>	<b>\$3,591.6</b>	<b>\$3,752.3</b>	<b>\$3,896.7</b>	<b>\$4,116.6</b>	<b>4.8%</b>

\*Compound Annual Growth Rate

*Trends in Central Bank Total Expense*

Expenses for central bank functions, which comprises monetary and economic policy, services to financial institutions and the public, and supervision, have grown an average of 5.1 percent annually over the past five years.

Supervision is driving a large portion of this expense increase, with an average of 7.4 percent expense growth per year over the past five



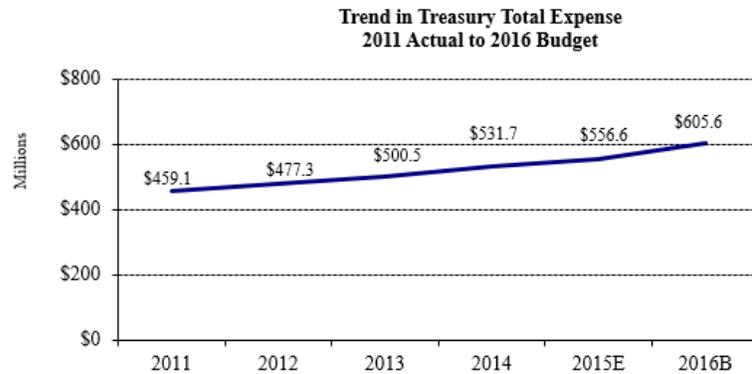
years and a corresponding increase of 748 ANP since 2011. The additional resources and staffing were added over this period in response to the financial crisis and to implement the Dodd-Frank Act requirements. Growth in investments enhance supervision’s capabilities to fulfill its expanded responsibilities. The direct cost growth rate is beginning to moderate as conditions of supervised financial institutions improve.

Monetary policy expenses have grown on average 4.5 percent annually. This growth is largely driven by increases at the Federal Reserve Bank of New York. Rapid growth during the financial crisis has been followed by a focus on improving operational capabilities and restructuring analytical, technological, and operational activities to address the increased needs and responsibilities for financial stability monitoring. The Bank is also developing a sustainable technology platform to support post-crisis policy efforts. Growth in monetary policy expenses also reflects increased resources dedicated to regional economic research.

Expenses in the cash area have increased on average 3.8 percent annually, as a multiyear effort to modernize the cash processing and inventory-tracking infrastructure nears completion. These increases have been partially offset by lower costs due to efficiency improvements in cash operations.

### *Trends in Treasury Services Expense*

Treasury services expenses are projected to grow on average 5.7 percent annually since 2011. Expenses have increased to meet Treasury's evolving needs, including the automation of Treasury's collection and payment services, the addition of Treasury applications to the TWAI, and other requested projects. Growth in recent years is largely attributable to CIR, expansion of FIR to accommodate requirements of the DATA Act, and the addition of NavyCash to the Stored Value Card initiatives. A portion of this growth has been offset by staffing reductions and program changes initiated by the Treasury, including the Treasury Retail Securities consolidation effort.

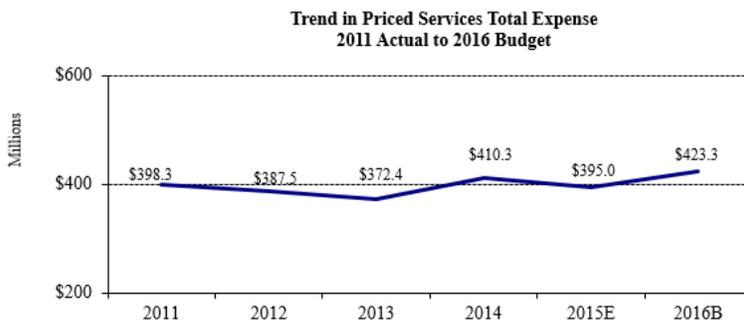


### *Trends in Priced Services Total Expense*

Priced services expenses have increased at an average of 1.2 percent annually.

Cost increases are primarily for investments associated with multiyear technology initiatives to modernize processing platforms for Fedwire and ACH. These investments are expected to enhance efficiency, the overall

quality of operations, and the Reserve Banks' ability to offer additional services to depository institutions. Partially offsetting these investments are check services expenses, which have declined an average of 7.7 percent annually since 2011, due to the decline of paper-check volume and the efficiencies associated with electronic check processing.

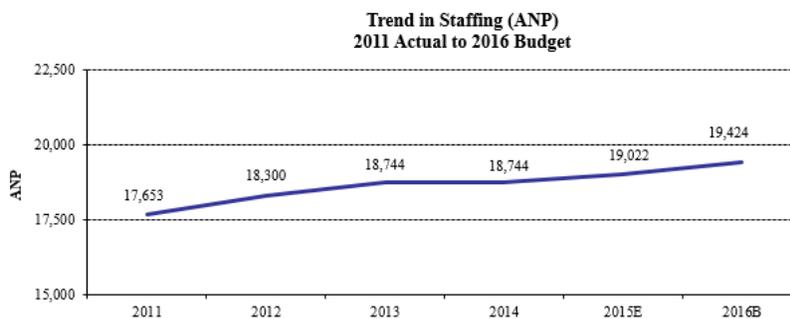


### *Trends in Staffing*

Total staffing levels are increasing at an average of 1.9 percent annually since 2011. The primary driver is in

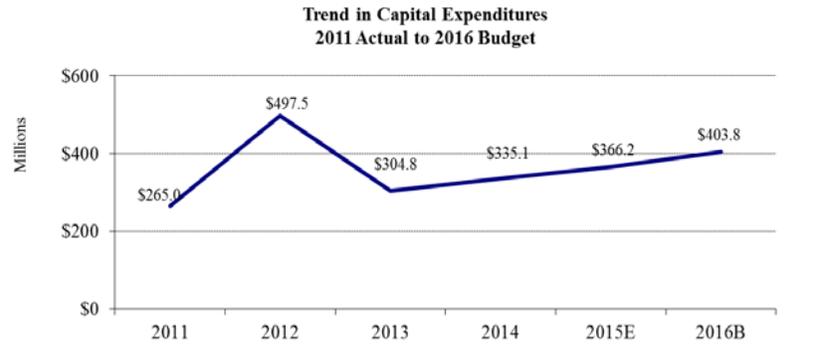
local and national IT to support large application development projects, information security efforts, and the central computing environment. Supervision

resource levels were augmented to address supervision's capabilities to fulfill its responsibilities, including those added by both the Dodd-Frank Act implementation and portfolio growth. New and ongoing Treasury-directed initiatives account for staffing increases in Treasury services. Monetary policy areas have grown modestly to support financial stability monitoring and operational activities. These increases are offset, in part, by decreased staffing in priced services and cash functions.



### *Trends in Capital*

Total capital spending is increasing at an average of 8.8% annually since 2011. The sharp increase in 2012 is due to FRB New York's purchase of the 33 Maiden Lane building.



### **Risks in the 2016 Budget**

The most significant risks in the 2016 budget are related to personnel. Changes in benefit assumptions related to the discount rate and updated demographic information would affect the personnel expenses that are reflected in Reserve Bank budgets. Additionally, Banks are concerned about their ability to retain, hire, and replace staff. 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 operating risks in supervision relate to the implementation of key supervisory responsibilities under the Dodd-Frank Act that still require final rulemaking and changing supervisory programs. Increased focus on cybersecurity and application modernization may affect IT spending decisions. The Treasury's fiscal agent consolidation effort will continue to affect projects in 2016 and over a longer term planning horizon, as project decision requirements are refined.

**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

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.

**TOTAL EXPENSES OF THE FEDERAL RESERVE BANKS**  
**by District, 2015 and 2016**  
**(Dollars in Thousands)**

District	2015 Budget	2015 Estimate	2016 Budget	Variance		
				15E to 15B	16B to 15E	16B to 15B
Boston	231,598	226,913	236,482	-2.0%	4.2%	2.1%
New York	938,292	919,799	969,209	-2.0%	5.4%	3.3%
Philadelphia	200,805	196,595	194,010	-2.1%	-1.3%	-3.4%
Cleveland	173,463	169,927	183,907	-2.0%	8.2%	6.0%
Richmond	359,688	367,426	352,315	2.2%	-4.1%	-2.0%
Atlanta	323,023	317,349	335,808	-1.8%	5.8%	4.0%
Chicago	356,634	354,179	369,547	-0.7%	4.3%	3.6%
St. Louis	335,373	325,729	374,243	-2.9%	14.9%	11.6%
Minneapolis	214,535	201,797	214,060	-5.9%	6.1%	-0.2%
Kansas City	255,317	245,064	277,339	-4.0%	13.2%	8.6%
Dallas	223,263	220,219	231,059	-1.4%	4.9%	3.5%
San Francisco	356,686	351,719	378,598	-1.4%	7.6%	6.1%
<b>Total</b>	<b>3,968,677</b>	<b>3,896,718</b>	<b>4,116,578</b>	<b>-1.8%</b>	<b>5.6%</b>	<b>3.7%</b>

**TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS**  
**by District, 2015 and 2016**  
**(Average Number of Personnel)**

District	2015 Budget	2015 Estimate	2016 Budget	Variance		
				15E to 15B	16B to 15E	16B to 15B
Boston	1,109	1,082	1,130	-28	49	21
New York	3,294	3,235	3,311	-60	77	17
Philadelphia	921	900	892	-20	-8	-29
Cleveland	990	963	1,010	-26	47	21
Richmond	1,546	1,549	1,475	3	-74	-71
Atlanta	1,594	1,573	1,573	-21	0	-21
Chicago	1,529	1,516	1,551	-13	35	22
St. Louis	1,246	1,247	1,356	2	109	110
Minneapolis	1,114	1,072	1,105	-42	33	-9
Kansas City	1,688	1,608	1,722	-80	114	34
Dallas	1,267	1,250	1,280	-18	30	12
San Francisco	1,700	1,696	1,695	-4	-1	-5
<b>Subtotal</b>	<b>17,998</b>	<b>17,691</b>	<b>18,101</b>	<b>-307</b>	<b>410</b>	<b>103</b>
FRIT	1,244	1,279	1,268	35	-11	23
OEB	53	53	55	0	2	2
<b>Total</b>	<b>19,295</b>	<b>19,022</b>	<b>19,424</b>	<b>-273</b>	<b>401</b>	<b>128</b>

**TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS<sup>1</sup>**  
**by Functional Area**  
**(Average Number of Personnel)**

	2011	2012	2013	2014	2015E	2016B	<b>CAGR</b> <b>2011-2016</b>
Monetary and Economic Policy	1,179	1,223	1,237	1,247	1,265	1,285	<b>1.7%</b>
Services to U.S. Treasury and Gov't Agencies	1,114	1,071	1,138	1,049	1,106	1,241	<b>2.2%</b>
Services to Financial Institutions and the Public	2,719	2,659	2,670	2,648	2,624	2,622	<b>-0.7%</b>
Supervision	3,341	3,725	3,860	3,886	4,002	4,087	<b>4.1%</b>
Fee-Based Services to Financial Institutions	910	840	717	683	680	714	<b>-4.8%</b>
Local Support and Overhead	6,303	6,457	6,635	6,698	6,749	6,832	<b>1.6%</b>
Nationally Provided Support	1,084	1,274	1,305	1,328	1,323	1,378	<b>4.9%</b>
Centralized Service Providers	1,003	1,051	1,182	1,204	1,274	1,265	<b>4.8%</b>
<b>Total</b>	<b>17,654</b>	<b>18,300</b>	<b>18,744</b>	<b>18,744</b>	<b>19,022</b>	<b>19,424</b>	<b>1.9%</b>

<sup>1</sup> 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, 2016**  
(Dollars in Thousands)

District	Total 12/31/15 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 12/31/15 Salary Liability (b + c + d) / (a)		Dollars (b + c + d + e)	Percentage Increase to Total 12/31/15 Salary Liability (b + c + d + e) / (a)
Boston	119,706	3,591	697	1,186	4.6%	644	<b>6,118</b>	5.1%
New York	446,384	11,606	2,232	5,756	4.4%	2,695	<b>22,289</b>	5.0%
Philadelphia	82,377	2,471	657	824	4.8%	160	<b>4,111</b>	5.0%
Cleveland	86,770	2,603	572	868	4.7%	681	<b>4,723</b>	5.4%
Richmond	140,646	4,192	696	436	3.8%	1,994	<b>7,318</b>	5.2%
Atlanta	143,903	4,317	436	986	4.0%	750	<b>6,490</b>	4.5%
Chicago	158,292	4,681	798	1,175	4.2%	1,664	<b>8,318</b>	5.3%
St. Louis	112,263	3,334	567	1,138	4.5%	1,360	<b>6,399</b>	5.7%
Minneapolis	95,394	2,862	546	477	4.1%	323	<b>4,208</b>	4.4%
Kansas City	130,618	3,919	827	1,620	4.9%	1,504	<b>7,869</b>	6.0%
Dallas	104,131	3,045	736	1,041	4.6%	397	<b>5,220</b>	5.0%
San Francisco	186,262	5,550	885	1,903	4.5%	1,598	<b>9,935</b>	5.3%
FRIT	140,632	4,281	714	1,427	4.6%	362	<b>6,783</b>	4.8%
OEB	8,002	240	42	82	4.6%	53	<b>417</b>	5.2%
<b>Total</b>	<b>1,955,380</b>	<b>56,692</b>	<b>10,403</b>	<b>18,919</b>	<b>4.4%</b>	<b>14,185</b>	<b>100,199</b>	<b>5.1%</b>

The table above shows the cash compensation components that add to base salary (merit, equity, and promotion) and the 2016 incremental increase in variable pay expense compared to those estimated for 2015.

**December 31, 2015 Salary Liability:** the annualized salary expense based on the salaries in effect on December 31.

**Merit:** the amount of 2016 budgeted salary expense that reflects salary increases for individuals based on performance.

**Equity Adjustments:** the amount of 2016 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 2016 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 2016 budgeted incentive payments (payment for the achievement of pre-determined goals) and cash awards (awards in recognition of exceptional achievements) compared to the 2015 estimate.

**CAPITAL OUTLAYS OF THE FEDERAL RESERVE BANKS**  
**by District, 2015 and 2016**  
(Dollars in Thousands)

District	2015 Budget	2015 Estimate	2016 Budget	Variance		
				15E to 15B	16B to 15E	16B to 15B
Boston	28,506	25,978	21,578	-8.9%	-16.9%	-24.3%
New York	115,869	87,784	81,134	-24.2%	-7.6%	-30.0%
Philadelphia	20,521	15,929	22,240	-22.4%	39.6%	8.4%
Cleveland	16,997	8,768	18,140	-48.4%	106.9%	6.7%
Richmond	15,204	11,524	15,620	-24.2%	35.5%	2.7%
Atlanta	16,137	12,206	33,826	-24.4%	177.1%	109.6%
Chicago	26,522	22,420	26,055	-15.5%	16.2%	-1.8%
St. Louis	14,324	14,902	10,224	4.0%	-31.4%	-28.6%
Minneapolis	4,657	2,570	4,365	-44.8%	69.9%	-6.3%
Kansas City	25,811	25,336	29,719	-1.8%	17.3%	15.1%
Dallas*	17,340	13,909	18,051	-19.8%	29.8%	4.1%
San Francisco	60,463	53,844	57,493	-10.9%	6.8%	-4.9%
<b>Subtotal</b>	<b>362,351</b>	<b>295,169</b>	<b>338,445</b>	<b>-18.5%</b>	<b>14.7%</b>	<b>-6.6%</b>
FRIT	91,086	70,045	65,368	-23.1%	-6.7%	-28.2%
OEB	550	945	5	71.8%	-99.5%	-99.1%
<b>Total</b>	<b>453,986</b>	<b>366,159</b>	<b>403,819</b>	<b>-19.3%</b>	<b>10.3%</b>	<b>-11.1%</b>

\*Excludes \$1.0 million from the 2016B for the cancelled End-to-End Billing project at FRB Dallas.