BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF RESERVE BANK OPERATIONS AND PAYMENT SYSTEMS

2018 Federal Reserve Banks Budgets

ACTION

On December 12, 2017, the Board approved the 2018 Reserve Bank operating budgets totaling $4,451.3 million, an increase of $219.9 million, or 5.2 percent, from the 2017 forecasted expenses.[1] The Board also approved the Reserve Bank, Federal Reserve Information Technology (FRIT), and the Office of Employee Benefits (OEB) single and multiyear capital budgets in three categories:

a) Significant capital expenditures – multiyear approval for significant capital expenditures (typically expenditures exceeding $1 million) totaling $279.5 million for 2018 and the remaining term of these projects;
b) other capital expenditures – single-year capital expenditures, by asset class, for less significant expenditures (less than $1 million per project) totaling $232.2 million for 2018; and
c) conditional approval – the chair of the Committee on Federal Reserve Bank Affairs designated $83.6 million in 2018 for conditional approval.[2] The Reserve Banks are required to provide further information about these projects and obtain approval from the director of the Division of Reserve Bank Operations and Payment Systems prior to committing funds.[3]

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[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, and the Consumer Financial Protection Bureau.
[2] See tables in the attachment for expense and capital amounts by Reserve Bank.
[3] Generally, capital expenditures that are designated for conditional approval include certain building projects, District expenditures that substantially affect or influence future System direction or the manner in which significant services are performed, expenditures that may be inconsistent with System direction or vary from previously negotiated purchasing agreements, and local expenditures that duplicate national efforts.

DISCUSSION

The Reserve Banks have prepared annual budgets for 2018 as part of their efforts to demonstrate appropriate stewardship and accountability. The budgets are formulated to ensure alignment with each Reserve Bank's and the System's strategic priorities, including

- contributing to the formulation of monetary policy and enhancing monetary policy implementation to become more effective, flexible, and resilient
- promoting financial stability through effective monitoring, analysis, and policy development
- promoting safety and soundness of financial institutions through effective supervision
- leading efforts to enhance the security, resiliency, functionality, and efficiency of services provided to financial institutions and the public

Each Reserve Bank's budget is reviewed by the Bank's senior leadership and its board of directors. Board staff analyzes the Banks' budget submissions both individually and in the aggregate.

TOTAL EXPENSE AND EMPLOYMENT SUMMARY

Reserve Bank Expenses and Staffing
(dollars in millions)

	2017	2017	17F to 17B		2018	18B to 17F		18B to 17B	
	Budget	**Forecast**	**Amount**	**Percent**	**Budget**	**Amount**	**Percent**	**Amount**	**Percent**
Central Bank Services	**$3,238.5**	**$3,201.3**	**-$37.3**	**-1.2%**	**$3,382.4**	**$181.1**	**5.7%**	**$143.8**	**4.4%**
Monetary Policy	490.1	485.5	-4.7	-1.0%	504.8	19.3	4.0%	14.6	3.0%
Open Market	207.6	211.6	4.0	1.9%	216.7	5.1	2.4%	9.2	4.4%
Public Programs	228.2	222.8	-5.4	-2.4%	238.1	15.3	6.9%	9.9	4.3%
Supervision	1,389.6	1,374.0	-15.7	-1.1%	1,449.3	75.3	5.5%	59.7	4.3%
Cash	648.8	632.4	-16.4	-2.5%	688.5	56.1	8.9%	39.7	6.1%
Loans to Depository Institutions	77.1	76.6	-0.5	-0.6%	83.7	7.2	9.3%	6.7	8.6%
All Other Central Bank Services[1]	197.1	198.4	1.4	0.7%	201.2	2.8	1.4%	4.1	2.1%
Treasury Services	**625.7**	**599.6**	**-26.1**	**-4.2%**	**616.1**	**16.5**	**2.8%**	**-9.6**	**-1.5%**
Fee-Based Services[2]	**448.2**	**430.6**	**-17.6**	**-3.9%**	**452.9**	**22.2**	**5.2%**	**4.6**	**1.0%**
Total Expense	**$4,312.4**	**$4,231.4**	**-$81.0**	**-1.9%**	**$4,451.3**	**$219.9**	**5.2%**	**$138.9**	**3.2%**
Total ANP[3]	*19,822*	*19,444*	*-377*	*-1.9%*	*19,878*	*433*	*2.2%*	*56*	*0.3%*

[1] Includes Special Safekeeping Services, Reserve Accounts and Risk Administration, and Services to Other Central Banks.
[2] Fee-based services are all expenses associated with the Priced Services, including the check, FedACH, Fedwire Funds and National Settlement, and Fedwire Securities services.
[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 1 ANP.

2018 Operating Expenses, Net of Revenue and Reimbursements

The proposed 2018 operating budgets of the Reserve Banks total $4,451.3 million, which is $219.9 million, or 5.2 percent, higher than the 2017 forecast.[4] Approximately 25 percent of Reserve Bank expenses in the 2018 budget are offset by either priced services revenue (9.9 percent) or reimbursable claims for services provided to the Treasury and other agencies (15.0 percent).[5] Budgeted 2018 operating expenses, net of revenue and reimbursements, are expected to increase $202.0 million, or 6.4 percent, from 2017 forecasted expenses.[6] Budgeted 2018 priced services revenue is 0.1 percent lower than the 2017 forecasted level, driven largely by decreased check volumes, offset by higher FedACH volumes and increased fees to mitigate costs associated with the FedACH technology modernization project. Reimbursable claims are expected to increase 2.8 percent in 2018, reflecting increased activity for new or expanded Treasury services and increased expenses for Securities services.

Change in Net Expenses
(dollars in millions)

	2017 Budget	2017 Forecast	2018 Budget	17F - 17B	18B-17F
Total Expense	$4,312.4	$4,231.4	$4,451.3	-1.9%	5.2%
Less:					
Priced Services Revenue*	439.4	442.4	441.7	0.7%	-0.1%
Reimbursable Claims	677.3	649.7	668.2	-4.1%	2.8%
Net Expenses	**$3,195.7**	**$3,139.4**	**$3,341.4**	**-1.8%**	**6.4%**

*Full cost recovery is projected in the aggregate for priced services in 2018.

2017 Budget Performance

Total 2017 operating expenses for the Reserve Banks are forecasted to be $4,231.4 million, which is $81.0 million, or 1.9 percent, less than the approved 2017 budget of $4,312.4 million. The forecasted average number of personnel (ANP) is 19,444, which is 377, or 1.9 percent, less than the 2017 budget largely because of delays in hiring as a result of the hiring freeze.[7] The forecasted 2017 capital spending for the Reserve Banks, FRIT, and OEB is less

[4] The forecast is based on actual expenses incurred through September 2017 and a forecast for the remaining months of the year.

[5] 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 "Reserve Bank Expenses and Staffing" 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.

[6] 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 40 percent of total supervision expenses.

[7] On January 23, 2017, President Trump issued a memorandum ordering a freeze on the hiring of federal civilian employees "across the board in the executive branch," with only limited exceptions for national security and public safety. In keeping with past practice, the System complied with the spirit of the memorandum's provisions while allowing for the continued advancement of critical strategic priorities and the ability to meet the Reserve Banks' public service mission.

than budget by $27.1 million or 6.5 percent, because of plan changes, including timing and scope for some initiatives.

Revised project plans, benefits assumptions, and increased cash recoveries from depository institutions also contribute to the 2017 operating expense budget underrun. Project plan changes include updated business-line transition plans for ongoing Treasury services, delays in development efforts for Fedwire and ACH enhancements and check-related projects, and the completion of software development and testing following the implementation of the CashForward initiative.[8] The underrun is partially offset by increased expenses for the Treasury Web Application Infrastructure (TWAI).[9]

2018 Budgeted Operating Expenses

The 2018 operating budgets of the Reserve Banks total $4,451.3 million, which is $219.9 million, or 5.2 percent, higher than the 2017 forecast. The largest increase is in the supervision function, primarily for the ongoing support of the supervision portfolio and national and horizontal review initiatives and the continued development and implementation of the cybersecurity supervision program. The increase is partially offset by operational efficiencies and the extension of the exam cycle for qualifying depository institutions due to the implementation of the Fixing America's Surface Transportation (FAST) Act.

Increases in cash expenses are primarily related to the first phase of the next-generation currency-processing program (NextGen) as well as staffing to address the increase in the volume of currency received from circulation.[10] Expenses related to fee-based services are increasing to fund continuing technology investments for ACH and Fedwire enhancements. Budgeted expenses for services to the Treasury, which are fully reimbursable, are increasing primarily for

[8] 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 10 sites to four consolidated sites. To date, 12 of the 15 business line transitions have been completed. The ACH Modernization initiative involves the transition of the ACH application from the legacy mainframe environment to a distributed platform. The CashForward initiative replaced legacy software applications, automated business processes, and employed technologies to meet current and future needs for the cash function. The project was completed in November of 2017.

[9] TWAI is a dedicated, distributed computing environment that houses multiple Treasury applications.

[10] The NextGen program is a multiyear initiative to upgrade high-speed currency processing equipment and technology in cash offices across the Federal Reserve System.

the Stored Value Card (SVC) program, expanded Do Not Pay (DNP) analytics, and Pay.gov initiatives.[11]

2018 Personnel Expenses and Staffing

Total 2018 budgeted employment for the Reserve Banks, FRIT, and OEB is 19,878 ANP, an increase of 433 ANP, or 2.2 percent, from 2017 forecasted staff levels. The increase is largely due to 2017 hiring delays as a result of the hiring freeze, including monetary policy and public programs areas where several Reserve Banks plan to fill open positions in 2018 to support regional economic research initiatives and to promote engagement with the public. Support and overhead functions plan to add resources to strengthen facilities maintenance, strategic planning, enterprise risk management, internal audit, and human resources capabilities. In IT, ANP increases are for information security initiatives and application development projects, primarily for Treasury programs. Treasury services ANP increases are due to updated requirements for ongoing programs, including SVC and DNP. Staff is also increasing in cash to address local cash-processing volume increases and to support Phase I of the NextGen Program.

Reserve Bank officer and staff salaries and other personnel expenses for 2018 total $2,565.6 million, an increase of $139.5 million, or 5.8 percent, from 2017 forecasted expenses. The increase reflects the expenses associated with additional staff as well as budgeted salary adjustments, including merit increases, equity adjustments, promotions, and funding for variable pay.

2018 Capital Budgets

The 2018 capital budgets submitted by the Reserve Banks, FRIT, and OEB total $406.6 million. The 2018 capital budget has increased $17.0 million, or 4.4 percent, from the 2017 forecasted levels of $389.5 million, largely reflecting ongoing multiyear building and IT projects. New initiatives in the 2018 capital budget support workspace renovations, address aging building infrastructure, and provide application upgrades and releases. The chair of the Committee on Federal Reserve Bank Affairs designated a portion of the projects comprising the

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[11] The SVC program comprises three military cash-management programs: EagleCash, EZpay, and NavyCash. These programs provide electronic payment methods for goods and services on military bases and Navy ships, both domestic and overseas, to reduce costs and increase convenience for the military and service members. Do Not Pay helps agencies mitigate and eliminate improper payments. Pay.gov is an application that allows the public to use the internet to authorize and initiate payments to federal agencies.

2018 capital budgets ($83.6 million) for conditional approval, requiring additional review and approval by the director of the Division of Reserve Bank Operations and Payment Systems. The remainder of the budgets was approved in two categories: (1) approval for significant capital expenditures for 2018 and the remaining term of these projects ($496.7 million) and (2) single-year approval for all other capital expenditures by asset class ($90.8 million).

2018 Capital Budget
(dollars in millions)

	2018 Capital	2019 and Beyond Capital	Total
Capital Expenditures Designated for Conditional Approval[1]	**$83.6**	**$195.9**	**$279.5**
Projects previously designated	36.0	105.6	141.6
New conditionally approved projects	47.6	90.3	137.9
Significant Capital Expenditures	**232.2**	**264.5**	**496.7**
Other Capital Expenditures	**90.8**		**90.8**
Art	0.4		0.4
Building	14.2		14.2
Building, Machinery, & Equipment	18.5		18.5
Equipment	17.5		17.5
Furniture, Furnishings, & Fixtures	6.1		6.1
Land and Other Real Estate	1.4		1.4
Leasehold Improvements	0.0		0.0
Software	32.7		32.7
Total Capital Budget	**$406.6**	**$460.3**	**$866.9**

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

Capital expenditures designated for conditional approval

The chair of the Committee on Federal Reserve Bank Affairs designated for conditional approval budgeted 2018 capital expenditures of $83.6 million and total multiyear budgeted expenditures of $279.5 million for 2018 and future years.[12] The expenditures designated for conditional approval include large-scale building projects to renovate office and cafeteria spaces, increase parking, and upgrade mechanical and electrical infrastructure. Technology projects include current and future Fedwire initiatives, Treasury applications, and the migration of major applications off of the mainframe.[13]

Significant capital expenditures

Significant capital expenditures (typically expenditures exceeding $1 million) that have not been designated for conditional approval include total multiyear budgeted expenditures of $496.7 million for 2018 and future years, of which the single-year 2018 budgeted expenditures are $232.2 million.[14] This category includes building expenditures for office space

[12] Including expenditures prior to 2018, the total multiyear budgeted expenditures for projects designated for conditional approval is $417.5 million.
[13] The Reserve Bank migration strategy involves moving a majority of applications from the mainframe to alternate processing environments. 2018 budgeted projects include the migration of the statistics and reserves (STAR) application and the ACH processing platform.
[14] Including expenditures prior to 2018, the total multiyear budget for significant capital expenditures is $744.1 million.

renovations, infrastructure upgrades, and security enhancements. IT projects include ongoing IT infrastructure investments and Treasury, monetary policy, and supervision initiatives.

Other capital expenditures

The 2018 capital budgets include $90.8 million for other capital expenditures that are individually less than $1 million per project, such as building maintenance expenditures, scheduled software and equipment upgrades, and equipment and furniture replacements.

Five-Year Trend in Reserve Bank Expenses

Total expenses for the Reserve Banks have grown an average of 4.4 percent annually from 2013 actual through 2018 budget.

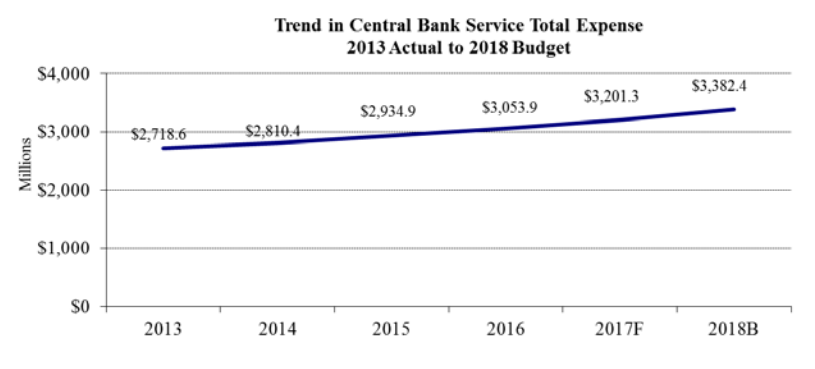
Total Expenses of the Federal Reserve Banks, by Functional Area
(dollars in millions)

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Forecast	2018 Budget	CAGR* 2013-2018
Monetary and Economic Policy	$596.5	$609.2	$631.9	$655.1	$697.1	$721.5	3.9%
Services to U.S. Treasury and Gov't Agencies	500.5	531.7	550.5	569.9	599.6	616.1	4.2%
Services to Financial Institutions and the Public	1,003.4	1,032.7	1,050.9	1,088.8	1,130.2	1,211.6	3.8%
Supervision	1,118.8	1,168.5	1,252.1	1,309.9	1,374.0	1,449.3	5.3%
Fee-Based Services to Financial Institutions	372.4	410.3	389.9	408.3	430.6	452.9	4.0%
Total	**$3,591.6**	**$3,752.3**	**$3,875.3**	**$4,032.1**	**$4,231.4**	**$4,451.3**	**4.4%**

*Compound Annual Growth Rate

Trends in Central Bank Total Expense

Expenses for central bank functions, which comprise monetary and economic policy, open market operations, services to financial institutions and the public, and supervision, have grown an average of 4.4 percent annually over the past five years. Supervision has experienced the largest rate of growth, with an average of 5.3 percent annual expense growth over the past five years and a corresponding increase of 339 ANP since 2013. The additional resources and staffing were added over this period for the implementation of the Dodd-Frank Act requirements and for the buildout of the cybersecurity supervision program.

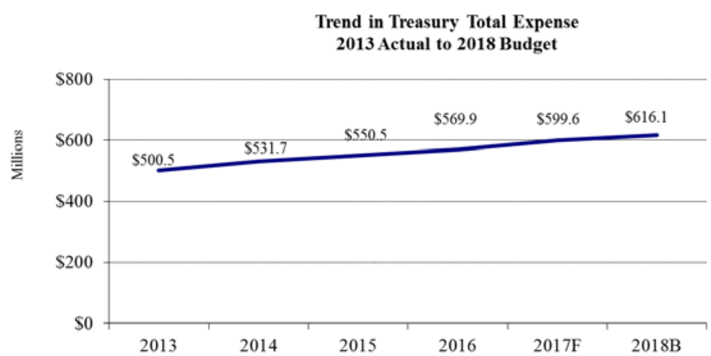


Monetary policy expenses have grown an average of 3.9 percent annually. This growth is largely driven by increases at the Federal Reserve Bank of New York, reflecting a focus on improving operational resiliency, organizational changes, and technology enhancements to better support the management, analysis, and execution of open market operations. Additional growth in monetary policy expenses reflects increased resources dedicated to regional economic research.

Expenses in the cash area, which is a component of services to financial institutions and the public, have increased an average of 4.6 percent annually, reflecting the multiyear development and implementation of a modernized cash-processing and inventory-tracking infrastructure. 2018 expenses include funding for the NextGen currency-processing program. These increases have been partially offset by lower expenses due to efficiency improvements in cash operations.

Trends in Treasury Services Expense

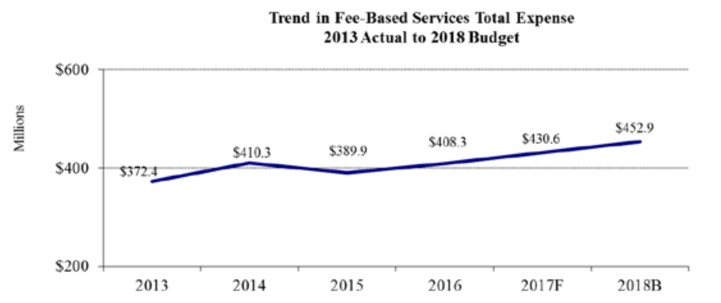
Treasury services expenses are projected to grow an average of 4.2 percent annually from 2013 to 2018. Expenses have increased to meet the Treasury's evolving needs, including the automation of the Treasury's collection and payment services, the addition of Treasury applications to the TWAI, and other requested projects and enhancements. Growth in recent years is largely attributable to expanding Government-wide Accounting services and DNP, support for the SVC program and transition, technology development for the Treasury Auction program, and the development and transition of the Post Payment System (PPS).[15] A portion of this growth has been offset by the consolidation of legacy retail systems, staffing reductions, and program changes initiated by the Treasury.



[15] Government-Wide Accounting Services include applications for cash forecasting and reporting; for accounting, reporting, and reconcilement; for moving agency-appropriated funds on Treasury's books; and for processing intragovernmental transactions that result from payment transfers between agencies. The PPS initiative is a multiyear effort to modernize several of the Treasury's legacy post-payment processing systems into a single application to enhance operations, reduce expenses, improve data analytics capabilities, and provide a centralized and standardized set of payment data.

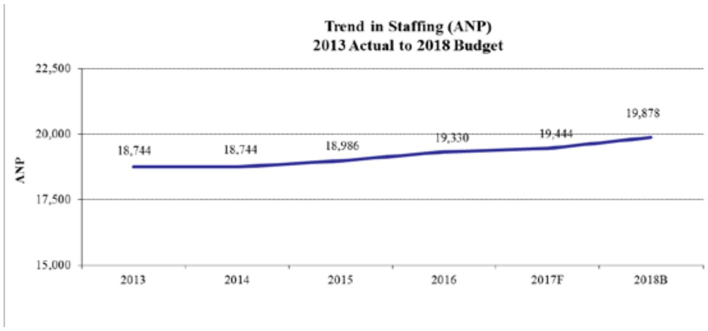
Trends in Fee-Based Services Total Expense

Fee-based services expenses have increased an average of 4.0 percent annually since 2013. Expense 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 1.2 percent annually since 2013 because of the decline of paper check volume and the efficiencies associated with electronic check processing.



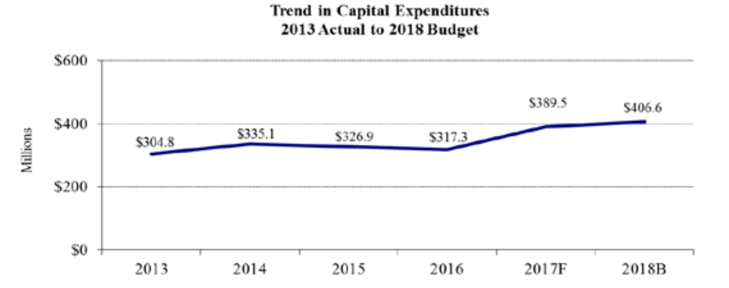
Trends in Staffing

Total staffing levels have increased an average of 1.2 percent annually since 2013. The primary driver is IT to support large application-development projects, information security efforts, end-user services, and the central computing environment. Supervision resource levels increased to enable supervision to fulfill its responsibilities, which have been augmented both because of the Dodd-Frank Act and because of portfolio growth. In recent years, improving conditions and the implementation of the FAST Act have allowed Supervision to reallocate resources and find staffing efficiencies. Monetary policy areas have grown modestly to support financial stability monitoring, operational activities, and regional economic research. These increases are offset, in part, by relatively stable staffing in the cash function and decreased staffing in other central bank services.



Trends in Capital

Total capital spending is increasing at an average of 5.9 percent annually since 2013 and has included funding for multiyear building projects and large-scale automation projects such as CashForward and migrating major applications off of the mainframe.



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 because of rounding.

Table A

TOTAL EXPENSES OF THE FEDERAL RESERVE BANKS

by District, 2017 and 2018

(Dollars in Thousands)

District	2017 Budget	2017 Forecast	2018 Budget	Variance 17F to 17B	18B to 17F	18B to 17B
Boston	230,478	219,367	232,955	-4.8%	6.2%	1.1%
New York	992,137	968,388	1,006,671	-2.4%	4.0%	1.5%
Philadelphia	191,425	184,691	191,787	-3.5%	3.8%	0.2%
Cleveland	196,828	188,588	203,294	-4.2%	7.8%	3.3%
Richmond	450,638	441,752	479,818	-2.0%	8.6%	6.5%
Atlanta	407,354	396,614	420,306	-2.6%	6.0%	3.2%
Chicago	383,256	384,483	397,752	0.3%	3.5%	3.8%
St. Louis	399,126	396,749	412,040	-0.6%	3.9%	3.2%
Minneapolis	165,092	162,983	173,998	-1.3%	6.8%	5.4%
Kansas City	285,047	282,308	307,319	-1.0%	8.9%	7.8%
Dallas	229,120	220,591	238,573	-3.7%	8.2%	4.1%
San Francisco	381,941	384,925	386,817	0.8%	0.5%	1.3%
Total	**4,312,443**	**4,231,439**	**4,451,329**	**-1.9%**	**5.2%**	**3.2%**

Table B

TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS

by District, 2017 and 2018

(Average Number of Personnel)

District	2017 Budget	2017 Forecast	2018 Budget	Variance 17F to 17B	Variance 18B to 17F	Variance 18B to 17B
Boston	1,131	1,090	1,086	-41	-4	-45
New York	3,319	3,208	3,277	-111	69	-42
Philadelphia	914	900	876	-14	-24	-38
Cleveland	995	962	999	-33	36	4
Richmond	1,499	1,472	1,498	-27	26	-1
Atlanta	1,762	1,747	1,774	-15	27	12
Chicago	1,600	1,558	1,605	-42	47	5
St. Louis	1,416	1,370	1,442	-46	73	26
Minneapolis	1,008	1,001	1,030	-7	29	22
Kansas City	1,850	1,848	1,910	-2	62	60
Dallas	1,294	1,263	1,320	-31	57	26
San Francisco	1,697	1,708	1,732	11	24	35
Subtotal	**18,487**	**18,128**	**18,550**	**-359**	**422**	**63**
FRIT	1,277	1,263	1,270	-14	7	-8
OEB	58	53	58	-4	4	0
Total	**19,822**	**19,444**	**19,878**	**-377**	**433**	**56**

Table C

TOTAL EMPLOYMENT OF THE FEDERAL RESERVE BANKS[1]

by Functional Area

(Average Number of Personnel)

	2013	2014	2015	2016	2017F	2018B	CAGR 2013-2018
Monetary and Economic Policy	1,237	1,247	1,262	1,284	1,297	1,305	1.1%
Services to U.S. Treasury and Gov't Agencies	1,138	1,049	1,101	1,161	1,185	1,243	1.8%
Services to Financial Institutions and the Public	2,670	2,648	2,618	2,568	2,560	2,644	-0.2%
Supervision	3,860	3,886	4,006	4,140	4,150	4,199	1.7%
Fee-Based Services to Financial Institutions	717	683	679	720	754	770	1.4%
Local Support and Overhead	6,635	6,698	6,727	6,820	6,836	6,973	1.0%
Nationally Provided Support	1,305	1,328	1,317	1,374	1,355	678	-12.3%
Centralized Service Providers	1,182	1,204	1,275	1,262	1,306	2,065	11.8%
Total	**18,744**	**18,744**	**18,986**	**19,330**	**19,444**	**19,878**	**1.2%**

[1] Includes 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.

Centralized Service Providers: Support services provided by FRIT and OEB. National IT Operations (NITOs) are IT activities performed on behalf of the System under a regionalized or centralized function. Beginning in 2018, NITO ANP are recategorized as Centralized Service Providers to align with the corresponding cost accounting policy change.

Table D

BUDGETED CHANGES TO CASH COMPENSATION PROGRAMS OF THE FEDERAL RESERVE BANKS

Officers and Staff by District, 2018

(Dollars in Thousands)

		Additions to Salary Base					Total	
District	**Total 12/31/17 Salary Liability (a)**	**Merit (b)**	**Equity & Market Adjustments (c)**	**Promotions and Reclasses (d)**	**Percentage Increase to Total 12/31/17 Salary Liability (b + c + d) / (a)**	**Incremental Variable Pay (e)**	**Dollars (b + c + d + e)**	**Percentage Increase to Total 12/31/17 Salary Liability (b + c + d + e) / (a)**
Boston	129,022	3,871	645	1,338	4.5%	230	**6,084**	4.7%
New York	466,228	13,987	2,331	3,812	4.3%	2,914	**23,045**	4.9%
Philadelphia	93,104	2,793	1,694	931	5.8%	285	**5,703**	6.1%
Cleveland	93,829	2,815	938	549	4.6%	326	**4,628**	4.9%
Richmond	145,231	4,353	726	730	4.0%	467	**6,277**	4.3%
Atlanta	171,958	5,159	860	1,649	4.5%	756	**8,423**	4.9%
Chicago	182,003	5,460	1,657	1,888	4.9%	1,249	**10,254**	5.6%
St. Louis	136,507	4,095	683	1,365	4.5%	798	**6,941**	5.1%
Minneapolis	92,431	2,773	462	462	4.0%	466	**4,164**	4.5%
Kansas City	172,131	5,164	861	2,138	4.7%	1,181	**9,344**	5.4%
Dallas	117,060	3,509	883	1,173	4.8%	667	**6,231**	5.3%
San Francisco	202,115	6,064	1,509	2,022	4.7%	1,299	**10,895**	5.4%
FRIT	150,421	4,513	752	1,504	4.5%	745	**7,514**	5.0%
OEB	9,035	271	45	75	4.3%	70	**462**	5.1%
Total	**2,161,076**	**64,827**	**14,046**	**19,639**	**4.6%**	**11,453**	**109,964**	**5.1%**

The table above shows the cash compensation components that add to base salary (merit, equity, and promotion) and the 2018 incremental increase in variable pay expense compared to those estimated for 2017.

December 31, 2017 Salary Liability: the annualized salary expense based on the salaries in effect on December 31.

Merit: the amount of 2018 budgeted salary expense that reflects salary increases for individuals based on performance.

Equity Adjustments: the amount of 2018 budgeted salary expense to bring individual salaries to the minimum of a salary range or to better align salaries based on internal or external compensation pressures.

Promotions: the amount of 2018 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 2018 budgeted incentive payments (payment for the achievement of pre-determined goals) and cash awards (awards in recognition of exceptional achievements) compared to the 2017 estimate.

Table E

CAPITAL OUTLAYS OF THE FEDERAL RESERVE BANKS
by District, 2017 and 2018
(Dollars in Thousands)

District	2017 Budget	2017 Forecast	2018 Budget	Variance 17F to 17B	Variance 18B to 17F	Variance 18B to 17B
Boston	26,625	18,119	20,458	-31.9%	12.9%	-23.2%
New York	100,780	103,343	91,980	2.5%	-11.0%	-8.7%
Philadelphia	20,931	20,577	34,623	-1.7%	68.3%	65.4%
Cleveland	32,836	33,747	13,670	2.8%	-59.5%	-58.4%
Richmond	21,265	12,621	20,438	-40.6%	61.9%	-3.9%
Atlanta	25,806	25,770	21,073	-0.1%	-18.2%	-18.3%
Chicago	29,207	29,838	22,323	2.2%	-25.2%	-23.6%
St. Louis	6,785	7,385	6,600	8.9%	-10.6%	-2.7%
Minneapolis	4,418	4,391	19,300	-0.6%	339.5%	336.8%
Kansas City	25,295	29,567	23,439	16.9%	-20.7%	-7.3%
Dallas	19,270	14,914	20,141	-22.6%	35.0%	4.5%
San Francisco	36,202	18,675	30,854	-48.4%	65.2%	-14.8%
Subtotal	**349,420**	**318,948**	**324,899**	**-8.7%**	**1.9%**	**-7.0%**
FRIT	67,162	70,564	81,645	5.1%	15.7%	21.6%
OEB	35	37	50	5.9%	34.9%	42.9%
Total	**416,617**	**389,549**	**406,594**	**-6.5%**	**4.4%**	**-2.4%**