2010 Annual Report

Federal Reserve Bank of Kansas City

“Strong leadership on the part of the Reserve Banks in their several districts is a prerequisite for the success of the entire System.”

Paul M. Warburg, 1910
The Federal Reserve Bank of Kansas City and its Branches in Denver, Oklahoma City and Omaha has three broad focus areas: contributing to monetary policy that promotes stability and growth; providing supervisory and regulatory oversight to financial institutions; and promoting safe and efficient financial services.

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

The audited 2010 financial letters, statements and notes for the Federal Reserve Bank of Kansas City are online at KansasCityFed.org.

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THE WORK OF THE
Federal Reserve Bank of Kansas City

Its **mission** is to contribute to monetary policy; provide supervisory and regulatory oversight; and offer safe, reliable and efficient financial services to depository institutions. Its **vision** is to inspire trust and confidence among financial institutions, the public and central bank colleagues.

Its **values** are integrity, service and personal growth and development.

The Bank and its Branches in Denver, Oklahoma City and Omaha serve the Tenth Federal Reserve District, a large and diverse geographic area that includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. Here is a look at the Fed’s operations and its divisions.

**ADMINISTRATIVE SERVICES**

This division performs a variety of services to keep the internal operations of the Federal Reserve Bank of Kansas City running smoothly on a daily basis. Functions include maintaining the Reserve Bank’s facilities; providing a safe and secure environment; developing and implementing human resources strategies to meet the evolving needs of the Fed’s workforce and environment; developing the budget; and providing accurate financial accounting and reporting. The division also houses the Office of Minority and Women Inclusion (OMWI), which is responsible for overseeing the Bank’s diversity initiatives as outlined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. In November, the Bank appointed an officer as director of OMWI to incorporate the office’s requirements into the Bank’s existing diversity and inclusion efforts. Facilities Management, Protection, Human Resources, and Financial Management are included in this division, which employs 279 people.

**AUDIT**

Audit provides an independent and objective assessment of the Tenth Federal Reserve District’s internal controls, risk management and governance processes to the Board of Directors, senior management and the Board of Governors. This division employs 19 people.

**CHECK AUTOMATION SERVICES/ PAYMENT DIRECTOR PROJECT**

This division is responsible for providing a substantial portion of the technical support for the Federal Reserve System’s paper and electronic check systems. In addition, the division is leading the Payment Director Project for the Federal Reserve System’s Retail Products Office. The Project was initiated to implement a more efficient electronic check-processing system. The division employs 99 people.

**ECONOMIC RESEARCH**

The division focuses its research on monetary policy, macroeconomics, the payments system and other issues of importance to the Federal Reserve Bank of Kansas City and the Federal Reserve System. Through publications and presentations, staff members communicate their research findings to the Bank’s senior management and directors, policymakers, other researchers and the general public. Annually, the division, in collaboration with Public Affairs, develops and hosts the prestigious Jackson Hole Symposium in Wyoming, where central bankers, economists,
policymakers and academics from around the world gather to discuss global economic topics. The division employs 42 people.

FINANCIAL SERVICES

Financial Services provides financial institutions across the country with services and support to assist them in accessing the payments system and meeting their customers’ demand for currency and coin. Through Cash Services, Wholesale Operations, Check Services, the Customer Contact Center and Sales departments, the division receives deposits and distributes currency and coin; provides secure and timely transfers of funds and securities between banks; supports the paper and electronic check-clearing network; provides customer support and access to payments networks; consults with and sells payments services to financial institutions and manages customer relationships; and provides service to consumers nationwide who have questions or complaints about their financial institution. This division employs 191 people.

INFORMATION TECHNOLOGY

The Information Technology Division works to support the efforts of business areas in the Bank and the Federal Reserve System through innovative information technology solutions. This division includes Information Security, the National Service Desk, Internal Network Services, the Server Management Transition Project, Application Delivery Services and Treasury Services. Information Technology employs 224 people.

LEGAL

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

REGIONAL, PUBLIC AND COMMUNITY AFFAIRS

The division’s two primary responsibilities are research and communications. The division’s economists track developments in the District's economy and present their findings to senior management as part of the Bank’s monetary policy deliberations. Through publications, media relations, electronic communication and educational programs, Public Affairs works to explain the Fed’s purpose and functions. Community Affairs promotes economic development through fair and impartial access to credit throughout the District. This division employs 58 people.

SUPERVISION AND RISK MANAGEMENT

The Supervision and Risk Management Division is responsible for supervising bank holding companies and state-chartered member banks in the Tenth District. These responsibilities include conducting examinations of these institutions to ensure a safe and sound banking system. Staff also examine banks for compliance with consumer laws and regulations and for performance under the Community Reinvestment Act. With the passage of the Dodd-Frank Act, the division will also take on responsibility for the supervision of savings and loan and thrift holding companies in 2011. The division’s applications function reviews and analyzes applications received from banking organizations for transactions requiring approval, such as acquisitions, mergers, establishing additional branches and changes in ownership or control. The division’s credit and risk management function extends credit to depository institutions and assists organizations in managing Federal Reserve account balances. Finally, the division collects data from financial organizations, studies financial industry trends, conducts banking research, and hosts seminars and forums for banks throughout the region. This division employs about 300 people.
The Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law in 2010 required each of the 12 regional Federal Reserve Banks to establish an Office of Minority and Women Inclusion (OMWI) by Jan. 21, 2011. The OMWI has oversight of the Reserve Bank’s diversity practices.

Though the legislation was new to the Kansas City Fed, many of the activities required are not.

“The requirements outlined in the Dodd-Frank Act are an opportunity for the Kansas City Fed to enhance its current business practices and to provide systematic reporting of our decades-long efforts in minority and women inclusion,” says Kansas City Fed President Tom Hoenig. “It is an opportunity we welcome.”

**Workforce, leadership diversity**

The Kansas City Fed, with Branch offices in Denver, Oklahoma City and Omaha, serves the Tenth Federal Reserve District: western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. This District comprises both diverse industries—aviation, agriculture, oil and mineral extraction, military—and communities—rural, urban, Hispanic, Asian and Native American. To fairly serve this diverse District, the Kansas City Fed ensures that those who sit on its boards and advisory councils are strong community and industry leaders who are representative of the District.

The first female chair of its head office Board of Directors was appointed in 1984. In 2000, the chairs of all four offices’ boards were female. Among its minority director alumni is potential 2012 presidential hopeful Herman Cain, who began his service as a director in 1988 and later became the first minority chair of the head office Board of Directors. Today, leaders from the Chickasaw and Potawatomi nations serve as a director and Community Development Advisory Council member, respectively.

At the Kansas City Fed’s inception in 1914, a third of its 15 employees were female. Today, with a total employment base of 1,200, the Kansas City Fed has half of its official staff
positions filled by women, far surpassing the average of comparably sized organizations in Kansas City. More than 50 percent of its senior leadership team, known as Management Committee, is female. Compared to Census Bureau data for the Kansas City area, minority representation on the Kansas City Fed’s official and supervisory staff exceeds the average. Additionally, its workforce comprises an array of nationalities, from Japanese to Lebanese—an important asset for a central bank with strong global ties.

“This workforce makeup is possible because of the approach the Kansas City Fed takes to find qualified job candidates,” says Josias Aleman, vice president of the Human Resources Department. “Our net is cast broadly, including urban career fairs, connections with universities’ multicultural centers and advertising in publications that target a range of demographic groups.”

A list of the Kansas City Fed’s 2010 Management Committee, boards of directors and advisory councils members begins on Page 38.

To read biographies of senior leaders and board members, as well as a list of alumni board members, visit KansasCityFed.org/AboutUs and click “Leadership.”

**Partnership, program diversity**

The Kansas City Fed has partnerships with more than a dozen community organizations that promote the advancement of minorities and women, including the Hispanic Chamber of Commerce, the National Black MBA Association, the Black Achievers Society and the Urban League of Greater Kansas City. Staff at all levels participate in, support or serve on the boards of these organizations.

For more than 30 years, the Kansas City Fed has been a corporate sponsor of the Kansas City chapter of INROADS, which seeks to develop and place talented minority youth in professional careers in business and industry. Since 1991, a senior officer has served on the INROADS Board of Directors.

Thirteen years ago, the Kansas City Fed was a founding corporate sponsor of Kansas City’s
Urban Financial Services Coalition. Kansas City Fed President Tom Hoenig received the organization’s highest honor, the Nathaniel C. Harris Lifetime Achievement Award, in 2010.

Kansas City Fed staff at all levels also have been long committed to furthering financial literacy for all ages.

“Economic education has been a pillar of our programs for many years,” says Krissy Young, vice president of the Public and Community Affairs departments. “We encourage all Kansas City Fed staff to have a role in increasing public understanding of economic matters, and we use a variety of mechanisms—from publications to partnerships with schools and consumer organizations—to help our constituents build their knowledge.”

In the late 1980s, the Kansas City Fed established a partnership with Junior Achievement, a worldwide organization that delivers personal finance lessons to children. During the 2009-2010 school year, staff volunteered with Junior Achievement to reach about 800 students in cities within the District. Each year since 2005, dozens of staff members volunteer for the nationwide financial literacy program called “Teach Children to Save Day,” delivering economic education lessons at elementary schools throughout District metro areas. In 2010, the Kansas City Fed reached more than 60 schools and 3,000 children in the District.

Annually since 2005, the Kansas City Fed has led weeklong events that connect citizens to programs focused on economic education topics such as saving, investing and more. In 2010, the Kansas City Fed partnered with 289 other organizations to reach approximately 22,000 people in the District.

To learn more about the Kansas City Fed’s financial literacy offerings, visit KansasCityFed.org/education.

Supplier diversity

The Kansas City Fed welcomes the opportunity to work with diverse suppliers and service providers. It strongly encourages the participation of small, minority- and women-owned businesses for its procurement purposes, including offering a self-registration tool on its website.
For several years, the printing contract for *TEN* magazine has been with a woman-owned printer.

When the Kansas City Fed began the multiyear construction of its new headquarters building in 2005, it initiated a voluntary program with project partners Zimmer Real Estate and J.E. Dunn Construction to emphasize diversity in subcontractors and suppliers. The team reached out to organizations such as the Minority Contractors Association and National Association of Women in Construction to help identify qualified suppliers. At the end of the project, more than 21 percent of the contracts were awarded to women- and minority-owned businesses, and the combined workforce participation of these groups exceeded 16 percent.

“The program’s success went well beyond our expectations,” says Vice President Mark Horan, who led the project for the Kansas City Fed. “Not only were these suppliers instrumental to the overall success of our building project, but also the program we established was so successful that J.E. Dunn now uses it as a model in other projects.”

More information for suppliers is available at KansasCityFed.org, under “Contacts,” “Doing Business with Us.”

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**OMWI at the Kansas City Fed**

On Nov. 1, 2010, the Kansas City Fed appointed Donna Ward as senior vice president and OMWI director. In this role, Ward oversees all OMWI activities at the Kansas City Fed as well as heads the division responsible for recruiting and procurement.

“Diversity is an area of focus for every level of our organization in some way,” Ward says. “With OMWI serving in a coordinating role for these activities, our focus will be refined even further.”

As OMWI director, she also oversees the compilation of the Kansas City Fed OMWI’s annual report to Congress, as required by the Dodd-Frank Act. A copy of this report will be published on the Kansas City Fed’s website, KansasCityFed.org, when it is available in early 2012.

Learn more about the Kansas City Fed’s diversity efforts at KansasCityFed.org/diversity.

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**By Sara BrunsvoLD,**

*Ten Contributing Writer*
Officers | Directors | Advisory Councils

Federal Reserve Bank of Kansas City
As the Federal Reserve Bank of Kansas City’s senior leadership team, the Management Committee guides the organization’s mission, vision, values and objectives.
**CLASS A**

The three Class A directors represent commercial banks that are members of the Federal Reserve System. These directors are bankers who are nominated and elected by member banks within the Tenth Federal Reserve District. This District includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico.

Under the Class A category, a director will be elected by a specific group of member banks classified as either 1, 2 or 3. This classification is based on the total amount of capital and surplus for each commercial bank, with Group 1 banks being the largest. Each group within the class elects one director.

For example, Robert C. Fricke, president and chief executive officer of the Farmers & Merchants Bank of Ashland, Neb., is a Class A director, who was elected by, and represents, Group 3 member banks.

**CLASS B**

The three Class B directors represent the public. Class B directors may not be an officer, director or employee of a bank or a bank holding company. However, these directors are also elected by member banks under the same categories as Class A directors. For example, Richard K. Ratcliffe, chairman of Ratcliffe’s Inc. of Weatherford, Okla., is a Class B director elected by Group 2 member banks.

**CLASS C**

The three Class C directors also represent the public. These directors, however, are appointed by the Board of Governors of the Federal Reserve System.

Like a Class B director, a Class C director may not be an officer, director or employee of a bank or a bank holding company. These directors may not own stock in a bank or a bank holding company. For example, Terry L. Moore, president of the Omaha Federation of Labor, is a Class C director. From the Class C directors, the Board of Governors selects one person as chairman and another as deputy chairman.

**SERVING ON THE BOARD**

*Federal Reserve Bank of Kansas City*

Reserve Bank directors meet monthly to oversee the Bank’s operations and policies and to confer on economic and banking developments. The directors also provide information on economic conditions within the District as a part of the Bank president’s preparation for Federal Open Market Committee meetings. Among directors’ responsibilities is establishing the Kansas City Fed’s discount rate, which is subject to review and determination by the Federal Reserve Board. The directors and their classifications are on Page 41.

**SERVING THE BRANCHES**

*Denver, Oklahoma City and Omaha*

Each Branch of the Federal Reserve Bank of Kansas City also has its own seven-member Board of Directors. Four of these directors are appointed by the Federal Reserve Bank of Kansas City while three are appointed by the Board of Governors. Branch directors serve three-year terms and provide their respective Branch Executives with insight on regional economic conditions as well as offer advice and counsel. Branch directors are on Pages 42-44.
Boards of Directors

Kansas City

(From left) Mr. Ratcliffe, Mr. Brownback, Mr. Fricke, Ms. Córdova, Mr. Gordon, Mr. DeBruce, Mr. Ikard, Mr. Moore, Mr. Stout

Lu M. Córdova, Board Chairman;
Chief Executive Officer, Corlund Industries
President and General Manager,
Almacen Storage Group
Boulder, Colorado (Class C)

Paul DeBruce, Board Deputy Chairman;
Chief Executive Officer, Chairman/Founder
DeBruce Grain Inc.
Kansas City, Missouri (Class C)

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

Robert C. Fricke
President and Chief Executive Officer
Farmers & Merchants Bank of Ashland
Ashland, Nebraska (Class A, Group 3)

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

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

Terry L. Moore
President
Omaha Federation of Labor
Omaha, Nebraska (Class C)

Richard K. Ratcliffe
Chairman
Ratcliffe’s Inc.
Weatherford, Oklahoma (Class B, Group 2)

John T. Stout, Jr.
Chief Executive Officer
Plaza Belmont Management Group LLC
Shawnee Mission, Kansas (Class B, Group 1)

Federal Advisory Council Representative
Bruce R. Lauritzen (not pictured)
Chairman, First National Bank of Omaha
Omaha, Nebraska

Directors oversee the Bank’s operations and policies, and confer on economic and banking developments.
Board of Directors

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

Barbara Mowry, Board Chairman;
Senior Vice President
Oracle
Broomfield, Colorado

Bruce K. Alexander
President and Chief Executive Officer
Vectra Bank Colorado
Denver, Colorado

Charles H. Brown III
President
C.H. Brown Co.
Wheatland, Wyoming

Anne Haines Yatskowitz (not pictured)
President and Chief Executive Officer
ACCI ON New Mexico-Arizona-Colorado
Albuquerque, New Mexico

Larissa L. Herda
Chairman, Chief Executive Officer and President
tw telecom inc.
Littleton, Colorado

Margaret M. Kelly
Chief Executive Officer
RE/MAX International, Inc.
Denver, Colorado

Mark A. Zaback
President and Chief Executive Officer
Jonah Bank of Wyoming
Casper, Wyoming

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

Denver
Steven C. Agee, Board Chairman;
Interim Dean and Professor of Economics
Meinders School of Business
Oklahoma City University
Oklahoma City, Oklahoma

Bill Anoatubby
Governor
Chickasaw Nation
Ada, Oklahoma

James D. Dunn
Chairman
Mill Creek Lumber & Supply Co.
Tulsa, Oklahoma

Jacqueline R. Fiegel
Senior Executive Vice President and
Chief Operating Officer
Coppermark Bank
Oklahoma City, Oklahoma

Douglas E. Tippens
President and Chief Executive Officer
Bank of Commerce
Yukon, Oklahoma

K. Vasudevan
Chairman and Founder
Service & Technology Corporation
Bartlesville, Oklahoma

Rose Washington Rentie
Executive Director
TEDC Creative Capital
Tulsa, Oklahoma
Lyn Wallin Ziegenbein, Board Chairman;
Executive Director
Peter Kiewit Foundation
Omaha, Nebraska

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

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

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

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

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

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

(From left) Mr. Kemp, Mr. Maestas, Mr. Graves, Mr. Ward, Mr. Aulick, Ms. Johnson, Mr. Hofmann, Mr. McClain, Mr. Sunderland, Ms. Bass

Vincent L. Aulick
President
Aulick Industries and Aulick Manufacturing
Scottsbluff, Nebraska

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

Greg M. Graves
Chairman and Chief Executive Officer
Burns & McDonnell
Kansas City, Missouri

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

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

Garry Kemp
Executive Vice President
Greater Kansas City Building & Construction Trades Council, AFL-CIO
Independence, Missouri

Steve Maestas
Managing Partner
Maestas & Ward Commercial Real Estate
Albuquerque, New Mexico

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

Charles T. Sunderland
Chairman and Chief Executive Officer
Ash Grove Cement Company
Overland Park, Kansas

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

Members, who represent business and labor from around the Tenth District, meet twice a year with Kansas City Fed staff to offer insight on the regional economy.
Members, who come from financial institutions, nonprofits, universities and businesses, meet twice a year with Kansas City Fed staff to offer insight on economic and community development issues around the region.
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(From left) Mr. Connealy, Mr. Fosler, Mr. Frank, Mr. Copeland, Mr. Reuter, Mr. Oatman

Advisory Council On Payments

Kansas City

Mollie Carter (not pictured)
Chief Executive Officer and President
Sunflower Bank
Salina, Kansas

Tim Connealy
President and Chief Operating Officer
Dickinson Financial Corporation
Kansas City, Missouri

Lloyd Davidson (not pictured)
Chairman of the Board
First Bank Kansas
Salina, Kansas

Steve Hipp (not pictured)
Executive Vice President
INTRUST Bank, N.A.
Wichita, Kansas

Denver

Mark Frank
Executive Vice President
CoBiz Bank
Denver, Colorado

James A. Reuter
President
FirstBankData Corporation
Lakewood, Colorado

Oklahoma City

Scott Copeland
Executive Vice President
BancFirst
Oklahoma City, Oklahoma

C.H. Wyatt, Jr. (not pictured)
Vice Chair and President
Citizens Bank of Edmond
Edmond, Oklahoma

Omaha

Craig E. Champion (not pictured)
Senior Vice President
Nebraska Bank of Commerce
Lincoln, Nebraska

Alan L. Fosler
Senior Vice President and Cashier
Union Bank and Trust Company
Lincoln, Nebraska

Russell K. Oatman
Senior Vice President
First National Bank of Omaha
Omaha, Nebraska

Members, who are senior officers from financial institutions around the Tenth District, meet with Kansas City Fed staff to share insight on issues affecting the payments system.
Participants from ranching, agriculture, biofuels, dairy, financing and other sectors meet annually with Kansas City Fed staff to give presentations on their industry and participate in open discussion.
Regional Economic Roundtable

(From left) Mr. Robinson, Mr. Thompson, Mr. Evans, Ms. Reynis, Mr. Hill, Mr. Wobbekind, Mr. Mitchell

Russell Evans  
Director, Center for Applied Economic Research  
Oklahoma State University  
Stillwater, Oklahoma

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

David Mitchell  
Assistant Professor  
Missouri State University  
Springfield, Missouri

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

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

Eric Thompson  
Associate Professor of Economics  
Director, Bureau of Business Research  
University of Nebraska – Lincoln  
Lincoln, Nebraska

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

Economists from each of the seven states in the Tenth District meet annually with Kansas City Fed staff to review the state’s activities from the past year and offer future insight. Sectors discussed include housing, manufacturing, agriculture, construction, energy, banking, employment, retail and exports.
Financial Report

The Federal Reserve Bank of Kansas City’s 2010 audited financial report is at KansasCityFed.org. Past financial reports, and officers, directors and advisory councils listings also are online.