

**MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
FEDERAL RESERVE BANK OF DALLAS**

January 25, 2024



Federal Reserve
Bank of Dallas

The Board of Directors (the “Board”) of the Federal Reserve Bank of Dallas (the “Bank”) held its regular meeting on January 25, 2024, at 8:30 a.m. (CST), with the following directors participating:

Present: Thomas J. Falk, Chair
Claudia Aguirre, Deputy Chair
Kelly Barclay
Pascal Desroches
Robert Hulsey
Renard Johnson
Gary Kelly
Joe Quiroga
Cindy Taylor

The following branch directors also participated:

El Paso Branch Directors

William Serrata
Christian Perez-Giese

Houston Branch Directors

Cynthia Colbert, Chair Pro-Tem

San Antonio Branch Directors

Tyson Tuttle

The following members of the Bank’s staff also participated:

Lorie Logan, President and Chief Executive Officer
Robert L. Triplett, First Vice President and Chief Operating Officer
Tommy E. Alsbrooks, Senior Vice President and Chief Information Officer
Glenda S. Balfantz, Senior Vice President and General Auditor
Roberto Coronado, Senior Vice President in Charge, El Paso and San Antonio Branches
Jeffrey L. Garrett, Senior Vice President and Chief Financial and Risk Officer
Richard J. Mase Jr., Senior Vice President
Daron Peschel, Senior Vice President in Charge, Houston Branch
Mike Schetzel, Senior Vice President and Chief of Staff

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Alison Schmidt, Senior Vice President
Sam Schulhofer-Wohl, Senior Vice President and Senior Advisor to the President
James Hoard, Vice President
Heidi Mitchell, Vice President
Pia Orrenius, Vice President
Seth Searls, Vice President
David Teeples, Vice President and Interim General Counsel
Mark A. Wynne, Vice President and Associate Director of Research
Juan Marquez, Assistant Vice President
Sai Nori, Assistant Vice President and Deputy Chief of Staff
Jody Stanley, Assistant Vice President and Corporate Secretary
Tyler Atkinson, Senior Business Economist
Jim Dolmas, Economic Policy Advisor and Senior Economist
Ron Mau, Senior Business Economist
Karel Mertens, Senior Economic Policy Advisor
Anthony Murphy, Senior Economic Policy Advisor
Alex Richter, Economic Advisor and Senior Economist
Diego Morales-Burnett, Research Analyst
Adriana Avilez, Director and Recorder
Jordan Chambers, Director of Shared Support Services
Tanna Salcido, Manager of Operations
Candi Aulbaugh, Corporate Secretary Associate
Ivan Resendiz, Audio/Visual Coordinator II

WELCOME

Mr. Falk extended a cordial welcome to the Dallas and Branch directors. [REDACTED]

[REDACTED]

[REDACTED]

ADMINISTRATIVE MATTERS - APPROVAL OF MINUTES

The Dallas directors unanimously approved and adopted the minutes of the Audit Committee meeting held on September 13, 2023, the Joint Board meeting held on December 7, 2023, the Audit Committee meeting held on December 14, 2023, and the Executive Committee meeting held on January 4, 2024.

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DISCOUNT COMMITTEE CHARTER REVIEW

Ms. Mitchell provided the directors an overview of the revisions to the Discount Committee charter and procedures, highlighting the key changes. Following Ms. Mitchell's overview of changes, the Dallas directors unanimously approved the motion to adopt the updated Discount Committee charter and procedures.

AUDIT COMMITTEE CHAIR REPORT

Mr. Quiroga reported on the topics discussed at the Audit Committee meeting held on January 24, 2024 and highlighted the following: [REDACTED]

[REDACTED] Mr. Quiroga then presented a revised Audit Committee charter to the Board and the Dallas directors voted unanimously to approve the charter as presented.

BANK OPERATIONS REPORT

Mr. Triplett reviewed and highlighted the following items included in the 11K Review Board of Directors Report: (i) the Bank's year-to-date financial performance as of November 2023, (ii) the borrowing activity from the discount window, and (iii) successful introduction of the Transparency and Accountability Policy that was implemented to proactively provide more information to the public.

REPORT OF ECONOMIC CONDITIONS

Next the Dallas and Branch directors each provided updates and reported on the economic conditions from their respective regions and business sectors. Discussion ensued regarding: (i) the landscape of federal government contracting, (ii) the status of the energy sector, including labor conditions, (iii) current conditions in the telecommunications sector, including labor conditions, (iv) risks and opportunities impacting the community banking sector, (v) current conditions in the airline industry conditions, (vi) challenges impacting underserved communities, (vii) U.S. consumer trends, and (viii) regional trends around the state of Texas.

REGIONAL ECONOMIC OUTLOOK FOR 2024

Ms. Orrenius presented an overview of the economic activity, job growth, and 2024 economic outlook for Texas. Discussion ensued regarding the economic challenges and opportunities facing the Eleventh District.

U.S. NATIONAL ECONOMIC UPDATE

Mr. Atkinson briefed the directors on current U.S. economic conditions and the outlook. The briefing described data on inflation, the labor market, real economic activity and financial conditions.

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The briefer noted that inflation data had been good news in recent months, with the six-month core personal consumption expenditure (“PCE”) inflation rate reaching 1.9 percent annualized in November and was likely similar in December. He noted, however, that this improvement is still somewhat exaggerated by negative outliers, as the six-month trimmed mean PCE inflation rate was 2.6 percent. Mr. Atkinson opined that, while it is too soon to expect 2.0 percent inflation going forward, this was further progress towards the target, and that forecasts are for inflation to remain slightly above 2 percent in 2024.

Mr. Atkinson further reported that labor market data was mixed but suggested further cooling, as quits and job openings are near 2019 levels. Wage growth likely needs to slow ahead to be consistent with 2 percent inflation in the long run.

Mr. Atkinson also discussed that any slowing has been gradual, and recent job growth remains somewhat faster than estimates of trend. He noted that layoffs remain near historic lows across various measures and are even declining according to initial claims for unemployment insurance.

Mr. Atkinson further noted that gross domestic product (“GDP”) growth once again surprised to the upside, with GDP growth at 3.1 percent for 2023, compared to expectations of nearly zero a year ago. The resilient consumer has been an important driver of strong growth. While there are segments experiencing financial stress, consumer balance sheets appear healthy on average, supporting spending.

Mr. Atkinson concluded that financial conditions continued to ease, reversing the tightening from July to October, and that it is not clear that financial conditions will be a drag on growth ahead and could start to push up on GDP growth and potentially reversing progress on lowering inflation.

DISCUSSION OF ECONOMIC CONDITIONS

The floor was opened for the directors and a conversation ensued on the economic conditions.

[Mr. Falk called for the Executive Session to begin; all participants left the meeting except Dallas directors, Branch directors, members of senior management, Office of the Corporate Secretary staff, FOMC Class I access staff and Research Department staff.]

EXECUTIVE SESSION – MANAGEMENT COMMENTS

Ms. Logan provided the directors her perspectives on current economic conditions and restated the main points presented by Mr. Atkinson. Further, Ms. Logan provided her recommendation to maintain the primary credit rate.

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EXECUTIVE SESSION - DISCOUNT RATE ACTION

Following the briefing by Mr. Atkinson and Ms. Logan's comments, the directors voted unanimously to maintain the primary credit rate at 5.50 percent. In addition, the directors acted to maintain the formulas for calculating the secondary credit rate and the seasonal credit rate.

[Mr. Falk called for the Special Executive Session to begin; all participants left the meeting except Dallas directors, Lorie Logan, Robert Triplett, Alison Schmidt, David Teeple, and Office of the Corporate Secretary staff.]

SPECIAL EXECUTIVE SESSION

Ms. Logan provided the directors and overview of the special topics to be presented in 2024. The floor was opened for the directors to provide feedback and discussion ensued.

Mr. Teeple provided the directors the annual review of the director's guide to conduct.

[Mr. Falk called for the Second Special Executive Session to begin; all participants left the meeting except Dallas directors, Lorie Logan, Alison Schmidt, and Adriana Avilez.]

SECOND SPECIAL EXECUTIVE SESSION

[REDACTED]

[Mr. Falk called for the Second Special Executive Session to begin; all participants left the meeting except Dallas directors and Lorie Logan.]

THIRD SPECIAL EXECUTIVE SESSION

Ms. Logan provided the directors an executive update.

MATERIALS FOR REVIEW

Each director received the following documents, which were filed with the Secretary:

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- (1) Audit Committee Meeting Minutes – September 13, 2023
- (2) Audit Committee Meeting Minutes – December 14, 2023
- (3) Joint Board of Directors Meeting Minutes – December 7, 2023
- (4) Executive Committee Meeting Minutes – January 4, 2024
- (5) Discount Committee (DC) Delegation of Authority, Charter and Procedures
- (6) Audit Committee Charter
- (7) 11K Review Board of Directors Report
- (8) Cleared for Landing – 2024 Texas Economic Outlook
- (9) Economic Conditions Update
- (10) Overview of Guide to Conduct for Directors

ADJOURNMENT

The meeting adjourned at 12:20 p.m. (CST).

Corporate Secretary

JS:aa

APPROVED: _____ Chair