

**MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
FEDERAL RESERVE BANK OF DALLAS**
March 14, 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 virtually on March 14, 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
Gary Kelly
Joe Quiroga
Cindy Taylor

The following branch directors also participated:

El Paso Branch Directors
Von Washington

Houston Branch Directors
Ric Campo

San Antonio Branch Directors
Brad Barron

The following member of the indicated advisory council attended a portion of the meeting as presenter:

Federal Advisory Council
David Zalman

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
Jeffrey L. Garrett, Senior Vice President and Chief Financial and Risk Officer
Emily Greenwald, Senior Vice President
Richard J. Mase Jr., Senior Vice President

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Daron Peschel, Senior Vice President in Charge, Houston Branch
Mike Schetzel, Senior Vice President and Chief of Staff
Alison Schmidt, Senior Vice President
Sam Schulhofer-Wohl, Senior Vice President and Senior Advisor to the President
David Teeples, Senior Vice President and General Counsel
Pia Orrenius, Vice President
Seth Searls, Vice President
Katherine Sedgwick, Vice President
Ed Skelton, Vice President
Mark A. Wynne, Vice President and Associate Director of Research
Amy Chapel, Assistant Vice President
Christina Gonzalez, Assistant Vice President
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
Alex Richter, Economic Advisor and Senior Economist
Adriana Abdullah, Director and Recorder
Candi Aulbaugh, Corporate Secretary Associate
Anita Bennett, Manager
Chellsy Carter, Outreach Analyst II
Labon Cook, Audio/Visual Coordinator II
Marycruz De Leon, Senior Outreach Advisor
Jamie Garcia, Director of Examinations
Emily Hall, Senior Policy Writer
Diego Morales-Burnett, Research Analyst
Ben Munyan, Director of Examinations
Veronica Pompa, Supervisor

WELCOME

Mr. Falk extended a cordial welcome to the Dallas, Branch directors and the Federal Advisory Council representative and called the meeting to order at 8:30 a.m. (CST).

ADMINISTRATIVE MATTERS

The Dallas directors unanimously approved and adopted the minutes of the Board meeting held on January 25, 2024, the Executive Committee meeting held on February 22, 2024, and the Audit Committee meeting held on January 24, 2024.

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ADVISORY COUNCIL UPDATES

Mr. Schulhofer-Wohl provided an update on the Financial Sector Advisory Council meeting that took place on February 28, 2024. He highlighted the two key topics covered in the meeting, including: (i) residential and commercial real estate sectors and (ii) monetary outlook. Discussion ensued.

Mr. Zalman provided an update on the Federal Advisory Council meeting that took place on February 8, 2024. He highlighted the following topics: (i) economic activity, (ii) labor markets, (iii) loan markets, (iv) inflation, (v) Federal Reserve policy, and (vi) the outlook for banking in 2024.

[Mr. Zalman left the meeting.]

REVIEW OF CHANGES TO BYLAWS

Ms. Stanley presented the proposed changes to the Bank's bylaws. Upon motion made, the directors voted unanimously to adopt the following resolution:

WHEREAS, pursuant to Article VIII of the Bylaws ("Bylaws") of the Federal Reserve Bank of Dallas ("Bank"), as amended, the Bylaws may be amended at any regular or special meeting of the Bank's Board of Directors ("Board") by a majority vote of the entire Board; provided, however, that a copy of the proposed amendment or amendments shall have been mailed or transmitted electronically to each member of the Board at least 10 days prior to such meeting;

WHEREAS, a copy of the proposed amendments to the Bylaws last adopted in July 2020 were transmitted electronically to the Board for review on March 1, 2024; and

WHEREAS, the Board has had an opportunity to review and discuss the proposed amendments to the Bylaws, attached hereto (the "Amended Bylaws"), and has determined that adoption of the Amended Bylaws is in the best interests of the Bank.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts the Amended Bylaws at its regular meeting on March 14, 2024.

BE IT FURTHER RESOLVED, that the proper officers of the Bank, acting for and on behalf of the Bank, shall be, and hereby are, authorized and empowered to take such further actions as may be deemed necessary or advisable to carry out the intent and purpose of the foregoing resolutions.

AUDIT COMMITTEE CHAIR REPORT

Mr. Quiroga reported on the topics discussed at the Audit Committee meeting held on March 6, 2024, and highlighted the following: [REDACTED]

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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 January 2024, (ii) Mr. Mase's career accomplishments and upcoming retirement celebration, (iii) the Black History Month celebration hosted by the URBAN employee resource group, and (iv) the Bank's designation of Best Place for Working Parents for the fourth consecutive year.

Next, Mr. Triplett reported on the Committee of Sponsoring Organizations (COSO) attestation and 2023 financial statements that will be released to the public.

ECONOMICS OF AI

Ms. Logan provided an introduction on the presentation and the cross functional contributing team. Next, the cross functional team presented the potential impacts artificial intelligence ("AI") and generative AI ("Gen AI") could have on the economy via productivity, labor market, income inequality, wealth inequality, digital tools, and financial institutions. The team then opened the floor to the directors and a discussion ensued.

BANKING CONDITIONS UPDATE

Ms. Greenwald provided the directors an update on the diverse banking system in the 11th district and highlighted the following items: (i) 2023 system and local efforts, (ii) the district's banking performance, and (iii) the risks ahead in 2024. Ms. Greenwald opened the floor to the directors and a discussion ensued.

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.

The briefer noted that inflation data had been higher than expected in January and February, a shift from the run of softer reports in the second half of 2023. He noted that January personal consumption expenditure ("PCE") prices excluding food and energy (core) increased at an annualized pace of near 5 percent in January, driven by a broad-based increase in services prices other than housing. He further reported that February PCE inflation also appears to be faster than late 2023, but slower than January and less broad-based. Mr. Atkinson explained that six- and twelve-month core and trimmed mean PCE inflation rates all appear likely to be near 3 percent in February, disappointing hopes that prices were already increasing at pace consistent with the 2 percent target.

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Mr. Atkinson next reported that job growth accelerated in recent months and is less concentrated by industry than late last year. He opined that faster immigration likely explains some, but not all, of the strong job growth last year. He further stated that, despite fast job growth, there is not clear evidence that labor market tightness is increasing or wage growth is accelerating.

Finally, he noted that financial conditions were stable or even eased in recent months, and that while there are some signs of increasing consumer stress, most measures of household balance sheets remain stable at healthy levels, and consumption growth has consistently surprised with resilience. Forecasters have lowered their estimated probability of recession ahead, and consumer sentiment has improved somewhat as inflation slows.

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, (vi) challenges impacting underserved communities, (vii) U.S. consumer trends, and (viii) regional trends around the state of Texas.

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 - DISCOUNT RATE ACTION

Ms. Logan provided the directors her perspectives on current economic conditions and restated the main points presented by Mr. Atkinson. Following 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, and Jody Stanley.]

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SPECIAL EXECUTIVE SESSION

Mr. Triplett provided the directors an update on the competitive process to fill the senior vice president responsible for District FedCash Services and Treasury Services. The process included both external and internal candidates. [REDACTED]

[REDACTED] Following a discussion, a motion was made, seconded and the directors voted to adopt the following resolutions:

WHEREAS, under the provisions of Article IV, Sections 1 and 3 of the Bylaws of the Federal Reserve Bank of Dallas (“Bank”), as amended, the Bank’s Board of Directors (“Board”) may appoint, hire, and promote officers and employees at the level of senior vice president;

WHEREAS, there is a vacancy in the role of Senior Vice President responsible for District FedCash Services and Treasury Services at the Bank, and the Bank President is recommending Heidi Mitchell be promoted and appointed to the Senior Vice President responsible for District FedCash Services and Treasury Services; and

WHEREAS, the Board has had an opportunity to discuss the background and qualifications of Heidi Mitchell to serve as the Senior Vice President responsible for District FedCash Services and Treasury Services and finds the promotion and appointment of Heidi Mitchell to Senior Vice President responsible for District FedCash Services and Treasury Services to be advisable and in the best interest of the Bank.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby promotes and appoints Heidi Mitchell to Senior Vice President responsible for District FedCash Services and Treasury Services effective April 1, 2024, with all the authorities and responsibilities reflected in the Bank’s Bylaws, and all other duties as may be assigned by the Bank President.

BE IT FURTHER RESOLVED, that Heidi Mitchell to Senior Vice President responsible for District FedCash Services and Treasury Services until, her resignation, death, incapacitation, suspension or dismissal by the Bank President or the Board.

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

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SECOND SPECIAL EXECUTIVE SESSION

Ms. Schmidt provided the directors an overview of the process for developing and reviewing the senior management succession pipeline, including a summary of the work with the Chair and Deputy Chair of the Board. Mr. Falk provided additional context on the review process summary and complimented the team on the scope of the talent sourcing.

Ms. Logan described the areas of focus for succession with the Board for pipeline development.

Discussion ensued regarding the succession plan proposed by management.

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

THIRD SPECIAL EXECUTIVE SESSION

Mr. Falk provided an update on the President's performance evaluation.

MATERIALS FOR REVIEW

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

- (1) Board of Directors Meeting Minutes – January 25, 2024
- (2) Executive Committee Meeting Minutes – February 22, 2024
- (3) Audit Committee Meeting Minutes – January 24, 2024
- (4) Proposed Updates to Bylaws of the Dallas Fed
- (5) 2023 Audit Department Annual Report
- (6) 11th District Activity – Discount Window
- (7) 11K Review Board of Directors Report
- (8) 2023 Financial Statements and Attestation Letters
- (9) Economics of AI
- (10) Banking Sector Update
- (11) Economic Conditions Update
- (12) Texas Economic Indicators

ADJOURNMENT

The meeting adjourned at 11:48 a.m. (CST).

Corporate Secretary

JS:aa

APPROVED: _____ Chair