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

September 12, 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 September 12, 2024, at 8:30 a.m. (CDT), with the following directors participating:

Present: Thomas J. Falk, Chair
Claudia Aguirre, Deputy Chair (virtual attendee)
Kelly Barclay
Pascal Desroches
James Hill
Robert Hulsey
Gary Kelly (virtual attendee)
Joe Quiroga
Cindy Taylor (virtual attendee)

The following branch directors also participated:

<u>El Paso Branch Directors</u>
Kari Mitchell

<u>Houston Branch Directors</u>
Gary Petersen

<u>San Antonio Branch Directors</u>
Gabe Guerra

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

<u>Federal Advisory Council</u>
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 Alsbrooks, Senior Vice President and Chief Information Officer
Glenda S. Balfantz, Senior Vice President and General Auditor
Roberto Coronado, Senior Vice President and Senior Economist
Jeffrey L. Garrett, Senior Vice President and Chief Financial and Risk Officer

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Karel Mertens, Senior Vice President and Director of Research
Heidi Mitchell, Senior Vice President
Daron Peschel, Senior Vice President in Charge, Houston Branch
Mike Schetzel, Senior Vice President and Chief of Staff
Alison Schmidt, Senior Vice President and OMWI Director
Sam Schulhofer-Wohl, Senior Vice President and Senior Advisor to the President
David Teeples, Senior Vice President and General Counsel
Rebecca Zarutskie, Senior Vice President
Christine Docherty, Vice President and Deputy General Counsel
Gina Gadson-Richards, Vice President
Deborah Kilroe, Vice President
Pia Orrenius, Vice President
Seth Searls, Vice President
Mark A. Wynne, Vice President and Associate Director of Research
Sai Nori, Assistant Vice President & Deputy Chief of Staff
Armida Riojas, Assistant Vice President, Regional Executive for the San Antonio Branch
Jody Stanley, Assistant Vice President and Corporate Secretary
Laila Assanie, Senior Business Economist
Tyler Atkinson, Senior Business Economist
Jim Dolmas, Economic Policy Advisor and Senior Economist
Anthony Murphy, Senior Economic Policy Advisor
Ron Mau, Senior Business Economist I
Alex Richter, Economic Advisor and Senior Economist
Luis Torres, Senior Business Economist
Adriana Abdullah, Director and Recorder
Candi Aulbaugh, Corporate Secretary Associate
Labon Cook, Audio/Visual Specialist
Lawanda Johnson, Director Examiner II
Diego Morales-Burnett, Research Analyst
Taylor Murphy, Senior Project Manager
Will Stephens, Assistant Examiner

WELCOME

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

Ms. Logan then introduced new Bank staff members and announced two new regional executive positions for which the Bank is currently recruiting.

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ADMINISTRATIVE MATTERS

The Dallas directors unanimously approved and adopted the minutes of the Board of Directors meeting held on July 25, 2024, the Executive Committee meeting held on August 22, 2024, and the Nominating and Governance Committee meeting held on July 16, 2024.

2025 BOARD OF DIRECTORS CALENDAR

Ms. Stanley provided the proposed 2025 Board of Directors Calendar and highlighted the electronic votes that are scheduled in lieu of the Executive Committee meetings. The Board unanimously approved the proposed 2025 Board of Directors Calendar.

FEDERAL ADVISORY COUNCIL REPORT

Mr. Zalman reported on the Federal Advisory Council meeting that took place from September 3-5, 2024. He highlighted the key topics covered in the meeting, including: (i) consumer spending, (ii) housing market, (iii) loan markets, (iv) agriculture, (v) inflation, (vi) wage pressures, and (vii) opportunities for generative artificial intelligence in the banking industry. Discussion ensued.

FINANCIAL SECTOR ADVISORY COUNCIL REPORT

Mr. Schulhofer-Wohl reported on the Financial Sector Advisory Council meeting that took place on September 5, 2024. He highlighted the key topics covered in the meeting, including: (i) outlook for the U.S. macroeconomy and the path of the federal funds rate target range and (ii) lessons from the recent market trends.

ELEVENTH DISTRICT HOUSING OUTLOOK

Ms. Assanie and Mr. Torres presented a report titled “Housing recalibration: Affordability woes follow pandemic boom.” They provided an overview of the housing outlook in the Eleventh District, including the demand boom during the pandemic, how the supply responded to the demand surge, and the impact this had on housing affordability. Discussion ensued.

[Mr. Zalman left the meeting.]

BANK OPERATIONS REPORT

Mr. Triplett highlighted the Bank’s year-to-date financial performance as of July 2024 included in the 11K Review Board of Directors Report. He indicated that the main drivers in the underrun are due to higher-than-budgeted vacancies and fewer expenses being billed from National IT. Additionally, Mr. Triplett informed the directors that the Bank is in the process of finalizing the 2025 budget[redacted]. Lastly, Mr. Triplett informed the directors that in a couple of weeks, Dallas will host the Conference of First Vice President and Conference of Presidents to discuss broadening the Eleventh District's involvement in energy thought leadership, advancing community efforts and the continued growth in technology to support the System.

NATIONAL ECONOMIC UPDATE

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

The briefer noted that now that the labor market has cooled to more normal levels, typical indicators like the unemployment rate should accurately reflect the degree of slack or overheating in the labor market. He explained that the unemployment rate has increased over the last year to 4.2 percent in August, near estimates of its long-run trend. This suggests the labor market is in balance, no longer overheating but still near full employment.

The briefer further highlighted that inflation has made progress towards the 2 percent goal, with 2.5 percent personal consumption expenditure ("PCE") inflation over the last year. He opined that inflation is expected to slow further to near 2 percent next year, and recent monthly data points

Furthermore, the briefer indicated that despite a cooling labor market and lower inflation, output growth has remained solid, near 2 percent in the first half of the year and tracking similar for the third quarter, supported by solid consumer spending and business investment. The briefer noted that there is little sign of rapid deterioration in economic activity.

Finally, Mr. Atkinson indicated that the economic outlook is for only a modest further cooling in the labor market and inflation slowing further to near 2 percent next year, although there are notable risks.

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 manufacturing landscape, (ii) labor market challenges, (iii) energy sector trends, (iv) consumer trends, (v) trends in government contracting, (vi) real estate market, both residential and commercial, (vii) not-for-profit impacts due to recent storms, (viii) higher education, (ix) airline industry, and (x) regional trends around the state of Texas.

DISCUSSION OF ECONOMIC CONDITIONS

The Chair opened the floor for discussion and a conversation ensued on the economic conditions.

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[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, Research Department staff and Armida Riojas.]

<u>EXECUTIVE SESSION - DISCOUNT RATE ACTION</u>

Ms. Logan provided the directors her perspectives on current economic conditions and recommended to lower the primary credit rate by 25 basis points to 5.25 percent. Discussion ensued.

Following the discussion, the directors voted to lower the primary credit rate by 25 basis points to 5.25 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 Second Executive Session to begin; all participants left the meeting except Dallas directors, Lorie Logan, Robert Triplett, Mike Schetzel, Roberto Coronado, Daron Peschel, David Teeples, Armida Riojas and Office of the Corporate Secretary staff.]

<u>EXECUTIVE SESSION – ELECTION UPDATE</u>

Ms. Stanley provided the directors an update on the election process. She informed the directors that the Nomination phase opened on September 5, 2024, and will close on October 4, 2025, and that two nominations have been received to date. Lastly, Ms. Stanley informed the directors that the election period will take place from October 18, 2024, to November 1, 2024.

[Mr. Falk called for the Third Executive Session to begin; all participants left the meeting except Dallas directors, Lorie Logan, Robert Triplett, and Jody Stanley.]

<u>SPECIAL EXECUTIVE SESSION</u>

[redacted]

<u>MATERIALS FOR REVIEW</u>

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

(1) New Bank Staff Profiles
(2) Board of Directors Meeting Minutes – July 25, 2024
(3) Executive Committee Meeting Minutes – August 22, 2024
(4) Nominating and Governance Committee Meeting Minutes – July 16, 2024
(5) 2025 Proposed Calendar

(6) "Housing recalibration: Affordability woes follow pandemic boom"
(7) 11K Review Board of Directors Report
(8) 11th District Activity – Discount Window
(9) Economic Conditions Update
(10) Texas Economic Indicators

ADJOURNMENT

The meeting adjourned at 11:30 a.m.

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Corporate Secretary JS:aa

APPROVED: ______________________________ Chair