

**MINUTES OF REGULAR MEETING  
BOARD OF DIRECTORS  
FEDERAL RESERVE BANK OF DALLAS**  
October 31, 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 October 31, 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  
Joe Quiroga  
Cindy Taylor

The following branch directors also participated:

El Paso Branch Directors  
James Walter

Houston Branch Directors  
Peter Rodriguez  
Ruth Simmons

San Antonio Branch Directors  
Brad Barron

The following members of the indicated advisory councils attended a portion of the meeting as presenters:

Community Advisory Council  
Carine Feyten

Community Depository Institutions Advisory Council  
Byron Bexley

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

MINUTES OF REGULAR MEETING, BOARD OF DIRECTORS  
FEDERAL RESERVE BANK OF DALLAS  
October 31, 2024

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  
Emily Greenwald, Senior Vice President  
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 Teeple, Senior Vice President and General Counsel  
Sunayna Tuteja, Senior Vice President and Chief Innovation Officer (visiting presenter from Federal Reserve Bank of Richmond)  
Kei-Mu Yi, Senior Vice President  
Rebecca Zarutskie, Senior Vice President  
Deborah Kilroe, Vice President  
Pia Orrenius, Vice President  
Sai Nori, Vice President & Deputy Chief of Staff  
Seth Searls, Vice President  
Mark A. Wynne, Vice President, Associate Director of Research, and Director of the Globalization and Monetary Policy Institute  
Armida Riojas, Assistant Vice President, Regional Executive for the San Antonio Branch  
Jody Stanley, Assistant Vice President and Corporate Secretary  
Tyler Atkinson, Senior Business Economist  
Jesus Canas, Senior Business Economist  
Jim Dolmas, Economic Policy Advisor and Senior Economist  
Ron Mau, Senior Business Economist I  
Alex Richter, Economic Advisor and Senior Economist  
Adriana Abdullah, Director and Recorder  
Candi Aulbaugh, Corporate Secretary Associate  
Labon Cook, Audio/Visual Specialist  
Diego Morales-Burnett, Research Analyst

WELCOME

Mr. Falk extended a cordial welcome to the Dallas directors, Branch directors, Advisory Council representatives, and the System Chief Innovation Officer and called the meeting to order at 8:30 a.m. Mr. Falk then acknowledged Dr. Simmons for being awarded the National Humanities Medal by President Joe Biden during a ceremony at the White House on October 21, 2024.

MINUTES OF REGULAR MEETING, BOARD OF DIRECTORS  
FEDERAL RESERVE BANK OF DALLAS  
October 31, 2024

ADMINISTRATIVE MATTERS

The Dallas directors unanimously approved and adopted the minutes of the Audit Committee meeting held on July 18, 2024, the Board of Directors meeting held on September 12, 2024, the Executive Committee meetings held on September 26, 2024, and October 10, 2024, and the Budget Planning Committee meeting held on October 24, 2024.

Ms. Logan then presented the proposed special topics for 2025 Board meetings. Discussion ensued on the list of proposed topics and potential additional topics for consideration.

Lastly, Ms. Stanley provided the directors an update on director elections.

2025 BOARD OF DIRECTORS CALENDAR

Ms. Stanley reviewed 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.

ADVISORY COUNCIL REPORTS

Ms. Feyten reported on the Community Advisory Council meeting that took place September 23, 2024. She highlighted the key topics covered in the meeting, including: (i) labor market insights, (ii) industry insights, and (iii) policy insights on challenges related to affordable housing and quality public education. Discussion ensued.

Mr. Bexley then reported on the Community Depository Institutions Advisory Council meeting that took place October 17, 2024. He highlighted the key topics covered in the meeting, including: (i) labor market insights, (ii) consumer spending, (iii) immigration, (iv) consumer lending, and (v) affordable housing concerns. Discussion ensued.

DALLAS FED BANKING SECTOR UPDATE

Ms. Greenwald reported on the Banking Conference hosted by the Bank on September 17, 2024. She noted that state supervisors were in attendance and that the key topics covered in the meeting included cybersecurity risks and liquidity. Ms. Greenwald indicated that the event was created to foster supervisory banking relationships and that there are plans to make this an annual event. Lastly, Ms. Greenwald provided the directors a high-level overview of the diverse banking system in the 11th district.

MINUTES OF REGULAR MEETING, BOARD OF DIRECTORS  
FEDERAL RESERVE BANK OF DALLAS  
October 31, 2024

NEARSHORING TO MEXICO: EVIDENCE AND EFFECTS ON THE U.S. ECONOMY

Mr. Canas and Mr. Yi presented a report titled “Nearshoring to Mexico: Evidence and Effects on the U.S. Economy.” The presenters provided an overview of the effects of increased nearshoring on the U.S. as a result of tariff wars and increasing geopolitical risks worldwide. Discussion ensued.

SYSTEM INNOVATION OFFICE AND GENERATIVE ARTIFICIAL INTELLIGENCE (“AI”)

Ms. Logan introduced Ms. Tuteja to the directors and provided a brief overview of the work Ms. Tuteja oversees as the Chief Innovation Officer. Ms. Tuteja then provided the directors an overview of the System Innovation Office and its goal of strengthening innovation through training, community, and project incubation. Lastly, Ms. Tuteja provided an overview of the AI Conference hosted by the Bank, which covered generative AI and what it could mean for the Federal Reserve System’s future.

**[Ms. Feyten and Mr. Bexley left the meeting.]**

BANK OPERATIONS REPORT

Mr. Triplett highlighted the Bank’s year-to-date financial performance as of September 2024, which was included in the 11K Review Board of Directors Report. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

AUDIT COMMITTEE REPORT

Mr. Quiroga updated the Board on the Audit Committee meeting that took place on October 30, 2024. He highlighted the following items discussed at the meeting: [REDACTED]

[REDACTED]

[REDACTED]

BUDGET PLANNING COMMITTEE REPORT

Mr. Kelly reported that the Budget Planning Committee (the “Committee”) met with Bank staff to review the Bank’s 2025 Financial Plan on October 24, 2024. Mr. Garrett highlighted the key budget drivers for 2024 and the expected budget drivers for 2025 that were presented by management at the Committee meeting. Mr. Kelly advised the Board that the Committee endorsed the 2025 Financial Plan.

Following a discussion, the Board unanimously approved and endorsed the recommendation that the Board of Governors approve the 2025 Financial Plan, excluding budget allocated to Banking Supervision. Next, the Board, excluding the Class A directors, unanimously approved and endorsed

MINUTES OF REGULAR MEETING, BOARD OF DIRECTORS  
FEDERAL RESERVE BANK OF DALLAS  
October 31, 2024

the recommendation that the Board of Governors approve the 2025 Financial Plan including budget allocated to Banking Supervision (Class A directors abstained).

NATIONAL ECONOMIC UPDATE

Mr. Mau briefed the directors on current U.S. economic conditions and the outlook. The briefing described data on prices, the labor market and production.

The briefer noted that September personal consumption expenditure (“PCE”) data showed that the 12-month PCE inflation rate fell to 2.1 percent, its lowest level since February 2021. However, monthly core PCE inflation in September was higher than in recent months and 12-month core PCE inflation remains at 2.7 percent. The briefer reported that labor market developments over the intermeeting period, including the September employment situation report, showed the unemployment rate ticking down as a rising unemployment rate for workers aged 25 and above a few months ago has reversed course in the most recent months. The briefer speculated that the October employment situation report to be released on November 1 could be distorted due to the effects of Hurricanes Helene and Milton, along with the Boeing strike, implying that this report would potentially provide a weaker signal of underlying labor market developments in October.

Next, Mr. Mau covered intermeeting developments related to gross domestic product (“GDP”) growth, including the initial release of third quarter 2024 data the day prior to the meeting, and the annual revision to the National Income and Product Accounts (“NIPA”). He reported that third quarter 2024 real GDP growth was strong at 2.8 percent annualized, backed by continued growth in private domestic final purchases. Mr. Mau noted that the composition of the release included weaker than expected business fixed investment, reflecting slower growth in intellectual property related expenditures, and stronger than expected growth in government spending due to strong national defense spending. He stated that the annual NIPA revision revised up both GDP and gross domestic income, with income revised toward expenditures, closing the gap between the two measures, and noted that the income revision also resulted in the saving rate being revised up.

In summary, Mr. Mau reported that September inflation data was stronger than prior months, but he expressed an expectation for continued inflation progress in the months ahead without accompanying labor market deterioration. The September employment situation report and the annual NIPA revision relieved some growing downside risk to the outlook tied to the rising unemployment rate earlier in the year and a declining saving rate present in the pre-revision data that now appears to be higher than previously thought and stable.

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 markets, both residential and commercial, (vii)

MINUTES OF REGULAR MEETING, BOARD OF DIRECTORS  
FEDERAL RESERVE BANK OF DALLAS  
October 31, 2024

not-for-profit impacts due to recent storms, (viii) higher education, (ix) the 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.

**[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.]**

EXECUTIVE SESSION - DISCOUNT RATE ACTION

Ms. Logan provided the directors her perspectives on current economic conditions and recommended to lower the primary credit rate by 25 basis points to 4.75 percent. Discussion ensued.

Following the discussion, the directors voted to reduce the primary credit rate to 4.75 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, Emily Greenwald, Daron Peschel, David Teeple, and Office of the Corporate Secretary staff.]**

SPECIAL EXECUTIVE SESSION – APPOINTMENT OF FEDERAL ADVISORY COUNCIL (“FAC”) MEMBER

Mr. Falk provided the directors an overview of the FAC member appointment process and Ms. Greenwald provided an overview on the background and qualifications of the recommended appointee, Mr. Phil Green, Chairman and CEO of Cullen/Frost Bankers Inc. and Frost Bank. After the discussion, the Board unanimously approved the motion for the appointment of Mr. Green as a member of the FAC.

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

MINUTES OF REGULAR MEETING, BOARD OF DIRECTORS  
FEDERAL RESERVE BANK OF DALLAS  
October 31, 2024

SECOND SPECIAL EXECUTIVE SESSION – REVIEW OF BYLAWS

Mr. Falk provided the directors an overview of the process taken by the Corporate Secretary's Office to review and identify opportunities to enhance the bylaws, including a comprehensive comparison between the Dallas Fed's bylaws and those of the other eleven Reserve Banks, and board governance best practices. He reported that, based on the review, the following enhancement opportunities were recommended: (i) changes to the executive committee structure, (ii) the addition of a provision requiring director resignation under certain circumstances, (iii) modifying the provision allowing action by majority written consent to require unanimous written consent for most Board actions, (iv) the addition of the election of FOMC representatives and the appointment and recommendation of branch directors to the directors' responsibilities and duties, (v) addition of a provision to indicate that the First Vice President can call a meeting in a President's absence, and (vi) addition of high-level descriptions of the standing committees. After the discussion, the Board unanimously approved the proposed changes to the bylaws and adopted the revised bylaws.

MATERIALS FOR REVIEW

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

- (1) Audit Committee Meeting Minutes – July 18, 2024
- (2) Board of Directors Meeting Minutes – September 12, 2024
- (3) Executive Committee Meeting Minutes – September 26, 2024
- (4) Executive Committee Meeting Minutes – October 10, 2024
- (5) Budget Planning Committee Meeting Minutes – October 24, 2024
- (6) 2025 Proposed Special Topics List
- (7) "Nearshoring to Mexico: Evidence and Effects on the U.S. Economy"
- (8) 11K Review Board of Directors Report
- (9) 11<sup>th</sup> District Activity – Discount Window
- (10) 2025 Financial Plan
- (11) National Economic Update
- (12) Federal Advisory Council Member Appointment
- (13) Proposed Bylaw Revisions
- (14) Texas Economic Indicators

ADJOURNMENT

The meeting adjourned at 11:28 a.m.

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Corporate Secretary

JS:aa

APPROVED: \_\_\_\_\_ Chair