




BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

DATE: December 4, 2020

TO: Board of Governors

VIA: Governor Lael Brainard 

FROM: Pat McClanahan, Chief Operating Officer
Ricardo Aguilera, Chief Financial Officer

SUBJECT: 2021 Board Operating and Capital Budgets¹

Actions Requested

Staff² recommends the Board approve the following:

1. A \$869.5 million operating budget for 2021, as presented in Appendix 1 by division/office and parent account³;
2. A \$18.4 million single-cycle capital budget for 2021, as presented in Figure 7 by category;
3. A \$2,400.4 million multi-cycle capital budget, as presented in Figure 8 by category;
4. An increase of 4 in the Board's authorized position count to 2,883 positions to replenish positions awarded from the centralized position pool; and
5. Revisions to the Board's Delegation of Administrative Authority policy to better align the Board's approval process for the operating and capital budgets; these revisions are discussed under the Delegations section.

Discussion

This is the second budget request since the Board approved the 2020-23 Strategic Plan (the Plan).⁴ The Plan and the budget are organized by functional area. This alignment helps ensure organizational resources are used to advance the Board's mission, and provides a structure to fund strategic priorities over the four-year time horizon.

¹ This memorandum does not include the costs related to the budget of the Office of Inspector General (OIG) or Currency. Those budgets are submitted separately from the Board's budget.

² Steve Bernard, Karen Vassallo, William Futrell, Troy Dibley, Kevin Brooks, Obi Ukwuoma, Shannon Zhang, and Peter Madsen co-authored this memo.

³ The information presented in Appendices 2 through 5 are for background information only.

⁴ The Plan is located at: <https://www.federalreserve.gov/publications/files/2020-2023-gpra-strategic-plan.pdf>.

We base the 2021 budget request on the principles established by the Plan and provide funding to advance the Plan’s goals and objectives. As shown in Figure 1, the operating budget represents a 6.5 percent increase over the 2020 forecast⁵ (and a 5.3 percent increase over the 2020 budget) excluding the impact of the Martin renovation project and Survey of Consumer Finances, or an 8.0 percent increase over the 2020 forecast (and a 6.8 percent increase over the 2020 budget) including these components. Measured budget risks were also assumed in the development of the proposed 2021 operating budget, as discussed under the Budget Risks section; these risks were not funded within the budget.

The single-cycle capital budget of \$18.4 million represents a 2.0 percent decrease from the 2020 forecast (and a 4.2 percent decrease from the 2020 budget). Finally, the multi-cycle capital budget of \$2,400.4 million represents a 0.4 percent decrease from 2020.

Figure 1. Summary of 2021 Budget Components

Millions of dollars Components	2020 Budget	2020 Forecast	2021 Budget	Variance 2020F To 2021B		Variance 2020B To 2021B	
				Amount	Percent	Amount	Percent
<i>Total, Without Martin, Survey</i>	811.8	802.5	854.6	52.1	6.5%	42.7	5.3%
<i>Martin Renovation Project</i>	1.8	1.8	12.8	11.0	594.8%	11.0	595.9%
<i>Survey of Consumer Finances</i>	0.7	0.7	2.1	1.4	200.0%	1.4	202.3%
Operating Budget¹	\$ 814.4	\$ 805.0	\$ 869.5	\$ 64.5	8.0%	\$ 55.1	6.8%
Single-Cycle Capital	19.2	18.8	18.4	(0.4)	-2.0%	(0.8)	-4.2%
Multi-Cycle Capital	2,410.6	2,410.6	2,400.4	(10.2)	-0.4%	(10.2)	-0.4%

Note: Components may not sum to totals and may not yield percentages shown because of rounding.

1. Please refer to Figure 2 for more details.

We identified several strategic priorities during the budget formulation process and funded these priorities within the budgets of each functional area⁶:

Monetary Policy and Financial Stability

Goal 1 in the Plan facilitates efforts that support the congressional mandate for price stability and maximum employment through monetary policy. Specific initiatives include:

- Continuing to develop a replacement for paper-based content delivery for policy makers.
- Establishing a foundational set of security controls, governance, and observability tools that allow for end-users to experiment and leverage the full power of cloud-providers for research analytics in an environment that meets Board compliance requirements. This

⁵ Projected spending is based on actual expenses incurred through August 2020, current staffing levels, approved personnel actions, and anticipated spending for the last four months of the year. The forecast was revised in November 2020 to incorporate significant forecast changes to the Reserve Bank external audit and employee leave usage expectations.

⁶ Divisions/sections are mapped into functional areas based on work performed. Annual mapping validations may cause adjustments from one year to the next.

initiative augments workforce skills and builds capacity while providing an adaptive computing environment through the application of innovative technology and business processes that maximizes access to, and use of, information.

Supervision

Goal 2 in the Plan promotes safety, soundness, and stability of financial institutions and consumer protection. Specific initiatives include:

- Continuing software development projects to keep pace with financial technology innovation and operational vulnerabilities while enhancing data reporting, storage, and management capabilities within the functional area.
- Streamlining and advancing data strategy and governance processes by investing in enterprise information management and governance expertise.
- Creating a more robust data infrastructure by investing in modern software and hardware resources for the Advanced Data Analytics Platform (ADAP), which will improve, standardize, and automate business processes.
- Improving the human capital management of the Large Institution Supervision Coordinating Committee (LISCC) National Program.
- Developing a financial market infrastructure (FMI) participation database to organize and track the large network of FMIs and related risks, which will increase efficiency, reduce processing times, and enhance decision-making.
- Enhancing the Payment Data Repository (PDR) related to various Reserve Bank oversight responsibilities and FMIs to increase the effectiveness and efficiency of the Board's oversight work and analysis. This initiative also supports the Payment System and Reserve Bank Oversight functional area.

Payment System and Reserve Bank Oversight

Goal 3 in the Plan fosters a safe, efficient, and accessible payment and settlement system. Specific initiatives to support the modernization of the payment infrastructure include:

- Overseeing the implementation of the FedNow Service, a faster and more secure payment system to support the work of the Reserve Banks.

Public Engagement and Community Development

Goal 4 in the Plan promotes broader, ongoing engagement with external individuals and groups and improved understanding of the Board's mission through outreach and public engagement. Specific initiatives include:

- Fully implementing and expediting a modern, streamlined technology portfolio that disseminates sensitive information for Board review and consideration; facilitates Board decision-making; and ensures compliance with legal and regulatory requirements, such as the Government in the Sunshine Act, the Freedom of Information Act (FOIA), and the Federal Records Act. This initiative will reduce the need for manual processes and lead to a more efficient use of staff time.
- Implementing a tool to effectively review, analyze, and tag large amounts of

documents/files in support of the Community Reinvestment Act (CRA) modernization project, particularly the Advanced Notice of Proposed Rulemaking (ANPR) effort.

Mission Enablement (Support and Overhead)

Goal 5 in the Plan optimizes operations and capabilities through efficient, effective, and sustainable stewardship and governance of resources. Specific initiatives include:

- Implementing a long-term space plan, including a facilities workplace strategy, to provide a secure, modern environment that meets the needs of the Board's workforce and leverages opportunities to increase collaboration, efficiency, productivity, and sustainability.
- Creating a digital workspace in alignment with the modernization of the Board's facilities and changes in the workplace landscape to improve staff productivity and collaboration.
- Implementing division-specific workforce plans to ensure the current and future workforce has the abilities, knowledge, and skills necessary to carry out the Board's mission. Specifically, the initiative is a future-focused, data-driven evaluation and includes the identification and assessment of job specific competencies and talent recommendations to close gaps.
- Replacing the Board's human capital, financial management, and procurement systems which will offer opportunities to enhance organizational efficiencies while providing automation and analytical capabilities that respond to stakeholder needs.
- Replacing legacy applications, including IT service management, customer relationship management, and time tracking systems, with a cloud-based solution that provides greater stability, functionality, and scalability to automate existing operational processes.

In addition, the budget for the Mission Enablement (Support and Overhead) functional area includes most of the technology projects referenced in the other functional areas.

The following sections provide additional information.

2021 Operating Budget

At the start of the budget process, the Chief Operating Officer (COO) and Chief Financial Officer (CFO) met with the Committee on Board Affairs (CBA) to recommend a specific growth target for the Board's overall 2021 operating budget. The CBA approved a forecast-to-budget growth target for continuing operations and strategic priorities of 6.5 percent, which excluded the impact of the Martin renovation project and Survey of Consumer Finances.

Growth in 2021 was driven by known changes in the run-rate of the Board's continuing operations, increases to centrally-managed retirement and post-retirement benefits, and strategic priorities for 2021. To manage growth across the Board, we identified specific growth rates for each functional area: Monetary Policy and Financial Stability, Supervision, Payment System and Reserve Bank Oversight, Public Engagement and Community Development, and Mission Enablement (Support and Overhead).

Achieving the growth target required all divisions to allocate resources to their highest priorities and seek tradeoffs and efficiencies. Figure 2 presents the 2020 operating budget, 2020 forecast, and proposed 2021 budget by major driver. Excluding the impact of the Martin renovation project and Survey of Consumer Finances, the proposed 2021 operating budget represents growth of 6.5 percent over the 2020 forecast.

Figure 2. Board 2021 Operating Budget by Major Driver

Millions of dollars								
Major Driver	2020 Budget	2020 Forecast	2021 Budget	Variance 2020F To 2021B		Variance 2020B To 2021B		
				Amount	Percent	Amount	Percent	
Continuing Operations, Including Strategic Priorities	\$ 811.4	\$ 802.5	\$ 851.0	\$ 48.5	6.0%	\$ 39.5	4.9%	
Centralized Position Pool	0.4	-	3.6	3.6	n.a.	3.2	776.6%	
Total Without Martin, Survey	\$ 811.8	\$ 802.5	\$ 854.6	\$ 52.1	6.5%	\$ 42.7	5.3%	
Martin Renovation Project	1.8	1.8	12.8	11.0	594.8%	11.0	n.a.	
Total Without Survey	\$ 813.7	\$ 804.3	\$ 867.4	\$ 63.1	7.8%	\$ 53.7	6.6%	
Survey of Consumer Finances	0.7	0.7	2.1	1.4	200.0%	1.4	202.3%	
Grand Total	\$ 814.4	\$ 805.0	\$ 869.5	\$ 64.5	8.0%	\$ 55.1	6.8%	

Note: Components may not sum to totals and may not yield percentages shown because of rounding.

Figure 3 presents the 2020 operating budget, 2020 forecast, and proposed 2021 budget by functional area. Appendix 1 presents the proposed 2021 budget by division/office and parent account. Appendices 2 and 3 presents the 2020 operating budget, 2020 forecast, and proposed 2021 budget by division/office and account, respectively.

Figure 3. Board 2021 Operating Budget by Functional Area

Millions of dollars										
Functional Area	2020 Budget	2020 Forecast	Variance 2020F To 2020B		2021 Budget	Variance 2020F To 2021B		Variance 2020B To 2021B		
			Amount	Percent		Amount	Percent	Amount	Percent	
Monetary Policy and Financial Stability	\$ 191.8	\$ 191.1	\$ (0.7)	-0.4%	\$ 205.8	\$ 14.7	7.7%	\$ 14.0	7.3%	
Supervision	193.3	189.4	(3.9)	-2.0%	195.8	6.4	3.4%	2.6	1.3%	
Payment System and Reserve Bank Oversight	38.1	37.1	(1.0)	-2.7%	43.1	6.1	16.4%	5.1	13.3%	
Public Engagement and Community Development	21.1	19.8	(1.3)	-6.1%	20.6	0.8	4.1%	(0.5)	-2.2%	
Mission Enablement (Support and Overhead)	369.5	367.0	(2.5)	-0.7%	402.0	35.0	9.5%	32.5	8.8%	
Total Without Survey	\$ 813.7	\$ 804.3	\$ (9.4)	-1.2%	\$ 867.4	\$ 63.1	7.8%	\$ 53.7	6.6%	
Survey of Consumer Finances	0.7	0.7	0.0	0.8%	2.1	1.4	200.0%	1.4	202.3%	
Grand Total	\$ 814.4	\$ 805.0	\$ (9.4)	-1.1%	\$ 869.5	\$ 64.5	8.0%	\$ 55.1	6.8%	

Note: Each functional area includes allocations related to centrally-managed retirement and post-retirement benefits, which fluctuate due to changes in actuarial assumptions and demographics. Divisions/sections are mapped into functional areas based on work performed. Annual mapping validations may cause adjustments from one year to the next. Components may not sum to totals and may not yield percentages shown because of rounding.

Functional areas grow at different rates in 2021. Growth for each functional area is affected by the initiatives previously discussed as well as average number of personnel (ANP)⁷ growth discussed in the Personnel Services Costs sub-section below. Specifically, growth in the Monetary Policy and Financial Stability functional area is driven by higher-than-average ANP growth due to the filling of vacancies. Several new Reserve Bank oversight programs in the Division of Supervision and Regulation shifted work from the Supervision functional area to the Payment System and Reserve Bank Oversight functional area, which drove lower growth in Supervision and higher growth in Payment System and Reserve Bank Oversight. Growth in the Public Engagement and Community Development functional area is slower than average due to flat ANP for 2021 and a one-time initiative in 2020. Finally, growth in the Mission Enablement (Support and Overhead) functional area is 6.6 percent excluding the impact of the Martin renovation project; growth in this functional area is driven by strategic priorities, including the NextGen transformation project and other approved technology initiatives.

Personnel Services Costs

The proposed 2021 operating budget includes growth in personnel services costs of \$30.2 million (5.0 percent) over the 2020 forecast and \$37.7 million (6.4 percent) over the 2020 budget, as shown in Appendix 3.

Increases in personnel expenses reflect the following:

- Employment growth expected to occur in 2021, with divisions continuing to prioritize their vacancies to meet their most critical needs;
- Salary adjustments, including promotions and equity adjustments, completed during 2020 and anticipated for 2021;
- Funding for the 2021 merit and variable pay programs approved by the Board in 2020 and are paid out in 2021; and
- Projected increases to healthcare and centrally-managed retirement and post-retirement benefits, which fluctuate due to changes in actuarial assumptions and demographics.

For 2021, authorized positions will increase by 4 – from 2,879 to 2,883 positions. Currently, 10 of 14 positions remain in the Board’s centralized position pool, and the proposed 2021 budget would replenish the 4 positions awarded from the centralized pool and fully fund each position in the pool for the entire year. Appendix 4 reflects positions by division/office.

Figure 4 presents ANP for 2020 and 2021 by functional area, while appendix 5 reflects ANP by division/office. As previously discussed, functional areas grow at different rates in 2021.

⁷ ANP, which is analogous to full-time equivalents, includes Board staff and contractors.

Figure 4. ANP by Functional Area

Functional Area	2020	2021	2020F To 2021B	
	Forecasted ANP	Budgeted ANP	Amount	Percent
Monetary Policy and Financial Stability	728	752	24	3.3%
Supervision	702	691	(12)	-1.7%
Payment System and Reserve Bank Oversight	126	146	20	15.9%
Public Engagement and Community Development	93	92	(0)	-0.4%
Mission Enablement (Support and Overhead)	1,251	1,291	39	3.2%
Grand Total	2,900	2,971	71	2.4%

Note: Divisions/sections are mapped into functional areas based on work performed. Annual mapping validations may cause adjustments from one year to the next. Average number of personnel (ANP) includes Board staff and contractors. Components may not sum to totals and may not yield percentages shown because of rounding.

Goods and Services Costs

The proposed 2021 operating budget includes growth in goods and services costs of \$32.8 million (16.2 percent) over the 2020 forecast and \$16.0 million (7.3 percent) over the 2020 budget, as shown in Appendix 3.

Growth in goods and services is primarily driven by the substantial completion of the Martin renovation project and additional funding for the new and existing strategic projects previously mentioned. The COVID-19 pandemic significantly impacted travel and off-site training in 2020. The proposed operating budget includes a gradual step-up approach to travel and training expenses, which is aligned with similar assumptions used by the Reserve Banks.

In addition, the proposed operating budget includes a transfer of costs from the Board operating budget to the Currency program operating budget. This transfer of costs is for Board support and overhead expenses used by the Currency program, including information technology, facilities, law enforcement, and human resources services, and is primarily based on the Currency program's share of ANP. This transfer to the Currency program is similar to the transfer to the Office of Inspector General (OIG) operating budget approved as part of the 2020 budget.

Survey of Consumer Finances

The proposed 2021 operating budget represents an increase of \$1.4 million over 2020, as shown in Appendix 3, as preparation begins for the triennial Survey of Consumer Finances, which will be conducted in 2022. The survey collects information about family incomes, net worth, balance sheet components, credit use, and other financial outcomes.

Budget Risks

Figure 5 presents measured budget risks that were assumed in the development of the proposed 2021 operating budget. These risks were not funded within the budget, and include execution risk on the NextGen transformation project; potential additional lending facility work performed as part of the Reserve Bank external audit contract; delays in capital project execution; and measured personnel services risk (specifically, lower ANP growth). Staff will monitor these risks and update the CBA on budget execution in 2021. If these risks materialize, staff will brief the CBA on options to avoid overexecution in 2021, which could include further reductions to spending or a budget amendment to allow an increase to the budget.

Figure 5. Budget Risks

Millions of dollars	
Budget Risk	Cost
Project execution risk: NextGen Transformation	\$ 3.0
Reserve Bank external audit contract: potential additional lending facility work	2.9
Capital project execution risk (non-construction projects)	1.8
Measured personnel services risk (specifically, lower ANP growth)	1.5
Total	\$ 9.3

Note: Components may not sum to totals and may not yield percentages shown because of rounding.

Multi-Year Projects

Figure 6 summarizes the project life budgets of two significant, multi-year projects.

Staff request that the Board approve the following multi-year project life budgets:

- Long-term space plan (\$2,770.0 million⁸): In May 2018, the Board approved the purchase of 1951 Constitution Avenue NW (“1951”) and the transition to a mixed-use space as part of a long-term space plan. The long-term space plan will provide a secure, modern environment that meets the needs of the Board’s workforce and leverages opportunities to increase collaboration, efficiency, productivity, and sustainability. In addition, the plan will yield financial benefits to the Board over the long term. Out of the \$2,770.0 million, we expect to capitalize \$2,331.4 million, which is currently approved as part of the Board’s multi-cycle capital budget. We expect to expense the remaining \$438.6 million, most of which is lease expense, as part of the operating budget over the next ten years. We incorporated operating costs for 2021 as part of this budget request.
- NextGen transformation (\$97.0 million): This initiative will replace the Board’s human capital, financial management, and procurement systems, which will offer opportunities to enhance organizational efficiencies and capabilities to provide automation solutions that respond to stakeholder needs. Out of the \$97.0 million, we expect to capitalize \$21.9

Figure 6. Multi-Year Projects

Millions of dollars	
Project	Project Life Budget
Long-Term Space Plan	\$ 2,770.0
NextGen Transformation	97.0

Note: Components may not sum to totals and may not yield percentages shown because of rounding. The NextGen transformation project includes internal labor costs.

⁸ Includes the following investments: 1951 (\$723.5 million), Eccles (\$593.8 million), Martin (\$494.6 million), New York Avenue (\$419.2 million), leased space use (\$385.3 million), workspace strategy (\$4.0 million), and schedule and contingency risk for building renovation projects (\$149.6 million).

million which is currently requested as part of the Board’s multi-cycle capital budget. We expect to expense the remaining \$75.1 million as part of the operating budget through 2025. We incorporated operating costs for 2021 as part of this budget request.

Capital Budget

The Board’s capital budget consists of single-cycle and multi-cycle components. Divisions complete single-cycle capital projects, such as hardware purchases and software upgrades, within the current budget cycle, while multi-cycle capital projects, such as building improvements and certain automation initiatives, span several budget cycles.

Figure 7 summarizes the Board’s 2021 single-cycle capital budget request by category. The proposed 2021 single-cycle capital budget of \$18.4 million represents a reduction of \$0.4 million (2.0 percent) from the 2020 forecast and a reduction of \$0.8 million (4.2 percent) from the 2020 budget due to lower data center infrastructure purchases. The proposed budget includes continued investments in automation projects and routine lifecycle replacements of equipment and building components.

Figure 7. Single-Cycle Capital Budget by Category

Category	2020 Budget	2020 Forecast	2021 Budget	Variance 2020F To 2021B		Variance 2020B To 2021B	
				Amount	Percent	Amount	Percent
Data Center Infrastructure	\$ 10.5	\$ 9.9	\$ 6.6	\$ (3.3)	-33.2%	\$ (3.9)	-37.1%
Building Improvements	1.6	1.9	2.9	0.9	50.0%	1.3	78.1%
Automation Projects	0.2	0.2	0.7	0.5	218.2%	0.5	218.2%
Supervision Data Capabilities	-	-	0.2	0.2	n.a.	0.2	n.a.
Equipment Purchases & Lifecycle Replacements	7.0	6.8	8.1	1.3	19.3%	1.2	17.0%
Grand Total	\$ 19.2	\$ 18.8	\$ 18.4	\$ (0.4)	-2.0%	\$ (0.8)	-4.2%

Note: Components may not sum to totals and may not yield percentages shown because of rounding.

Figure 8 summarizes the proposed multi-cycle capital budget of \$2,400.4 million by category, while appendix 6 reflects the multi-cycle capital budget by project/program.

Figure 8. Multi-Cycle Capital Budget by Category

Millions of dollars Category	Current Project Life Budget	Initiatives/ Project Closures	New Project Life Budget	Estimated Project Life Spending Through YE 2020		2021 Expected Expenditures
				Dollars	% Spent	
				Building Improvements	\$ 2,366.6	
Supervision Data Capabilities	11.0	0.3	11.3	9.5	86.2%	1.7
Data Strategy	18.0	-	18.0	8.1	44.9%	1.8
Automation	13.3	26.9	40.1	5.6	42.3%	10.9
Security Enhancements	1.8	(1.8)	-	0.4	24.7%	-
Grand Total	\$ 2,410.6	\$ (10.2)	\$ 2,400.4	\$ 392.1	16.3%	\$ 162.3

Note: Components may not sum to totals and may not yield percentages shown because of rounding.

Acronyms: Year End (YE).

The proposed budget reflects funding for new and existing capital projects and programs.

- Additional funding for existing projects and programs:
 - Supervision data capabilities
 - Regulation, Analysis, and Modeling Platform (RAMP) (\$0.3 million increase): Request is to continue development on the data store of record for stress testing projections and results.
 - Automation
 - Federal Open Market Committee (FOMC) system enhancements (\$0.7 million increase): Request is to continue the replacement of paper-based content delivery for policy makers.
 - NextGen transformation (\$17.9 million increase): For details, see the Multi-Year Projects section.
 - Technology Optimization Program (TOP) (previously named automation modernization) (\$6.7 million increase): Request is to fully implement and expedite a modern, streamlined technology portfolio that disseminates sensitive information for Board review and consideration; facilitates Board decision-making; and ensures compliance with legal and regulatory requirements.
 - FMI participation database (\$1.1 million increase): Request is to develop a database to organize and track the large network of FMIs and related risks, which will increase efficiency, reduce processing times, and enhance decision-making.
- New funding for the following projects and programs:
 - Automation
 - PDR (\$0.7 million): Request is to enhance the existing data repository related to various Reserve Bank oversight responsibilities and FMIs to increase effectiveness and efficiency of the Board’s oversight work and analysis.
 - ServiceNow enterprise solution (\$0.5 million): Request to replace legacy

applications, including IT service management, customer relationship management, and time tracking systems, with a cloud-based solution that provides greater stability, functionality, and scalability to automate existing operational processes.

In addition, the proposed budget includes the closure of several completed projects and programs: Eccles historic roof replacement; security tool implementation; and physical access control systems upgrade.

Finally, the proposed budget includes reducing the budget of the Martin renovation program to fully remove costs completed in the prior period to build out leased swing space.

2020 Budget Performance

Staff forecast the Board to underrun its 2020 operating budget by approximately \$9.4 million, or 1.1 percent. Figure 3 presents forecasted budget performance by functional area, while Appendices 2 and 3 contain budget performance by division/office and account, respectively. As shown in Appendix 3, staff forecast personnel services expenses to overrun the budget by \$7.5 million (1.3 percent) and goods and services expenses to underrun the budget by \$16.9 million (7.7 percent). Expenses related to the Survey of Consumer Finances are expected to be on budget. The overrun in personnel services is primarily driven by higher accrued annual leave expenses because employees used less annual leave during the COVID-19 pandemic, increased hiring, and lower-than-normal separations. The underrun in goods and services is driven by lower-than-expected contractual professional services and reduced travel and training due to the COVID-19 pandemic.

Staff forecast a \$6.5 million overexpenditure within the Special Projects division and salaries account due to higher accrued annual leave expenses because employees used less annual leave during the COVID-19 pandemic. In addition, staff forecast the depreciation account to exceed budget by \$3.7 million primarily due to the write-off of a New York Avenue building capital asset ahead of the planned renovation and the acceleration of IT hardware purchases ahead of schedule. The CFO will approve both of these overexpenditures; they do not require Board action since they are solely related to non-cash transactions and the operating budget is not forecast to overrun in 2020.

Finally, overexpenditures within personnel services were previously approved by the Board for the Division of Information Technology.

Revisions to the Board's Delegations of Administrative Authority

On October 2, 2018, the Board approved a number of delegations of administrative authority related to the Board's budget (as well as other administrative matters). The Board delegated certain authority to the Chair and then the Chair re-delegated certain of his authorities to the Administrative Governor who further re-delegated certain authorities to the COO and each of the Directors of Offices and Divisions. Because the Board has changed its approach to budgeting in the last year and plans to use different terminology in its budget this year (as set out in Appendix 1 and Figures 7 and 8), staff recommends that the Board modify its delegations of administrative authority to parallel the language used in the Board's budget.

Specifically, if approved by the Board, the Board's operating budget will allocate expenses by division/office and parent account (i.e., personnel services and goods and services) and the Board's single-cycle and multi-cycle capital budgets will allocate expenses by category (e.g., data center infrastructure, building improvements, automation projects, Supervision data capabilities, equipment purchases and lifecycle replacements, data strategy, security enhancements). Thus, we recommend that the Board's delegations of administrative authority be updated to use terminology that is consistent with the terminology used in the budget the Board approves. In addition, we recommend that the Board's delegations of administrative authority be updated to delete references to dual-occupied positions because the Board no longer utilizes dual occupancies.

These recommended changes are incorporated in the attached revised Board Delegations of Administrative Authority. If the Board approves these changes we also request that the Chair and Administrative Governor, via this vote on the budget, authorize staff to make conforming changes to their delegations of administrative authority to the COO, the CFO, and the Directors of Offices and Divisions. Those conforming changes are incorporated in the attached revised delegations from the Chair and Administrative Governor.

In 2021, the Division of Financial Management (DFM) staff will develop an operations directive so that DFM can better use the forecasting process to identify opportunities to reallocate funds between underexecuting and overexecuting accounts.

APPENDICES

Appendix 1. Board 2021 Operating Budget by Division/Office and Parent Account

Millions of dollars Division/Office	Parent Account		2021 Budget
	Personnel Services	Goods & Services	
Research & Statistics (R&S)	\$ 79.3	\$ 13.6	\$ 92.9
International Finance (IF)	34.0	3.1	37.1
Monetary Affairs (MA)	40.3	2.1	42.4
Financial Stability (FS)	15.5	0.8	16.3
Supervision & Regulation (S&R)	110.5	12.7	123.2
Consumer & Community Affairs (C&CA)	31.4	4.4	35.7
Reserve Bank Operations & Payment Systems (RBOPS)	36.7	10.0	46.7
Board Members (BDM)	22.3	3.9	26.2
Secretary (OSEC)	9.1	0.6	9.7
Legal	31.8	2.5	34.4
Chief Operating Officer (COO)	12.6	2.4	15.0
Financial Management (DFM)	13.6	0.9	14.5
Information Technology (IT)	72.1	67.5	139.6
Management (MGT)	78.4	88.9	167.3
Special Projects ¹	8.4	3.0	11.4
Centrally-Managed Benefits ²	34.7	0.1	34.8
Extraordinary Items ³	2.1	38.4	40.4
Savings & Reallocations ⁴	(1.5)	(18.8)	(20.3)
Total Without Survey	\$ 631.3	\$ 236.1	\$ 867.4
Survey of Consumer Finances	-	2.1	2.1
Grand Total	\$ 631.3	\$ 238.2	\$ 869.5

Note: Components may not sum to totals and may not yield percentages shown because of rounding. Strategic initiatives will continue to be centralized within Extraordinary Items. Savings and Reallocations includes Board support and overhead allocations to the OIG and Currency.

1. Includes centralized Boardwide benefit programs.

2. Includes retirement and post-retirement benefits, which fluctuate due to changes in actuarial assumptions and demographics.

3. Includes several strategic projects, including the Martin renovation and a centralized position pool.

4. Includes negative centralized budget execution and forecast adjustments and Board support and overhead allocations to the OIG and Currency.

Appendix 2. Board 2021 Operating Budget by Division/Office

Millions of dollars									
Division/Office	2020 Budget	2020 Forecast	Variance 2020F To 2020B		2021 Budget	Variance 2020F To 2021B		Variance 2020B To 2021B	
			Amount	Percent		Amount	Percent	Amount	Percent
Research & Statistics (R&S)	\$ 89.0	\$ 88.7	\$ (0.3)	-0.3%	\$ 92.9	\$ 4.2	4.7%	\$ 3.9	4.4%
International Finance (IF)	36.4	35.1	(1.3)	-3.6%	37.1	2.0	5.8%	0.7	1.9%
Monetary Affairs (MA)	40.0	39.6	(0.5)	-1.1%	42.4	2.8	7.1%	2.3	5.8%
Financial Stability (FS)	14.3	14.6	0.3	2.0%	16.3	1.7	11.4%	2.0	13.7%
Supervision & Regulation (S&R)	122.6	117.3	(5.3)	-4.4%	123.2	5.9	5.1%	0.6	0.5%
Consumer & Community Affairs (C&CA)	34.4	33.8	(0.6)	-1.8%	35.7	2.0	5.8%	1.4	3.9%
Reserve Bank Operations & Payment Systems (RBOPS)	45.0	43.5	(1.5)	-3.2%	46.7	3.2	7.3%	1.7	3.8%
Board Members (BDM)	26.4	24.5	(1.9)	-7.3%	26.2	1.7	7.1%	(0.2)	-0.7%
Secretary (OSEC)	9.4	9.3	(0.1)	-1.1%	9.7	0.4	4.3%	0.3	3.2%
Legal	33.3	32.6	(0.6)	-1.9%	34.4	1.7	5.2%	1.1	3.2%
Chief Operating Officer (COO)	14.8	13.7	(1.0)	-6.8%	15.0	1.2	8.9%	0.2	1.5%
Financial Management (DFM)	14.2	13.7	(0.5)	-3.4%	14.5	0.8	5.6%	0.3	2.0%
Information Technology (IT)	127.6	130.9	3.3	2.6%	139.6	8.7	6.6%	12.0	9.4%
Management (MGT)	163.6	164.2	0.5	0.3%	167.3	3.1	1.9%	3.7	2.3%
Special Projects ¹	13.0	19.5	6.5	49.8%	11.4	(8.1)	-41.7%	(1.6)	-12.6%
Centrally-Managed Benefits ²	24.7	25.9	1.1	4.6%	34.8	9.0	34.7%	10.1	40.8%
Extraordinary Items ³	25.9	13.7	(12.2)	-47.1%	40.4	26.7	195.2%	14.6	56.3%
Savings & Reallocations ⁴	(21.0)	(16.4)	4.6	-22.0%	(20.3)	(3.9)	24.0%	0.7	-3.3%
Total Without Survey	\$ 813.7	\$ 804.3	\$ (9.4)	-1.2%	\$ 867.4	\$ 63.1	7.8%	\$ 53.7	6.6%
Survey of Consumer Finances	0.7	0.7	0.0	0.8%	2.1	1.4	200.0%	1.4	202.3%
Grand Total	\$ 814.4	\$ 805.0	\$ (9.4)	-1.1%	\$ 869.5	\$ 64.5	8.0%	\$ 55.1	6.8%

Note: Components may not sum to totals and may not yield percentages shown because of rounding. Strategic initiatives will continue to be centralized within Extraordinary Items. Savings and Reallocations include Board support and overhead allocations to the OIG and Currency.

1. Includes centralized Boardwide benefit programs.

2. Includes retirement and post-retirement benefits, which fluctuate due to changes in actuarial assumptions and demographics.

3. Includes several strategic projects, including the Martin renovation and a centralized position pool.

4. Includes negative centralized budget execution and forecast adjustments and Board support and overhead allocations to the OIG and Currency.

Appendix 3. Board 2021 Operating Budget by Account

Account	Millions of dollars		2020		2021		2020F To 2021B		2020B To 2021B	
	Budget	Forecast	Amount	Percent	Budget	Amount	Percent	Amount	Percent	
Salaries	\$ 477.4	\$ 483.5	\$ 6.2	1.3%	\$ 500.8	\$ 17.3	3.6%	\$ 23.4	4.9%	
Retirement/Thrift Plans	62.8	63.2	0.4	0.7%	70.2	7.0	11.0%	7.4	11.8%	
Employee Insurance	42.3	42.3	0.0	0.1%	43.8	1.5	3.5%	1.5	3.6%	
Net Periodic Benefits Costs ¹	11.1	12.0	0.9	8.0%	16.5	4.5	37.4%	5.4	48.4%	
Sub-Total, Personnel Services	\$ 593.6	\$ 601.1	\$ 7.5	1.3%	\$ 631.3	\$ 30.2	5.0%	\$ 37.7	6.4%	
Postage & Shipping	0.4	0.3	(0.1)	-23.6%	0.6	0.3	93.1%	0.2	47.5%	
Travel	15.7	4.7	(11.0)	-70.2%	9.4	4.7	101.3%	(6.3)	-40.1%	
Telecommunications	7.3	7.3	0.0	0.4%	8.3	1.0	14.0%	1.1	14.5%	
Printing & Binding	0.6	0.6	(0.0)	-5.1%	0.7	0.2	29.4%	0.1	22.8%	
Publications	0.4	0.3	(0.1)	-20.0%	0.3	0.0	8.3%	(0.0)	-13.3%	
Stationery & Supplies	1.3	1.2	(0.0)	-3.6%	1.0	(0.2)	-14.2%	(0.2)	-17.3%	
Software	21.7	21.4	(0.3)	-1.3%	29.2	7.8	36.5%	7.5	34.7%	
Furniture & Equipment (F&E)	6.2	6.7	0.5	8.5%	6.1	(0.6)	-8.5%	(0.0)	-0.7%	
Rentals	38.0	37.6	(0.4)	-1.1%	38.0	0.4	1.1%	(0.0)	-0.1%	
Data, News, & Research	15.2	14.8	(0.4)	-2.4%	16.1	1.3	9.0%	1.0	6.4%	
Utilities	1.7	1.7	0.1	4.7%	1.7	(0.1)	-3.9%	0.0	0.6%	
Repairs & Alterations - Building	4.2	3.8	(0.5)	-11.1%	4.7	0.9	23.2%	0.4	9.5%	
Repairs & Maintenance - F&E	5.0	4.9	(0.1)	-2.1%	5.0	0.1	3.0%	0.0	0.9%	
Contractual Professional Services (CPS)	64.7	59.1	(5.6)	-8.7%	67.6	8.5	14.4%	2.9	4.5%	
Interest	0.0	0.0	0.0	0.0%	0.0	(0.0)	-5.5%	(0.0)	-5.5%	
Training & Dues	5.2	2.7	(2.5)	-48.3%	4.9	2.2	81.6%	(0.3)	-6.1%	
Subsidies & Contributions	3.1	3.1	(0.0)	-0.6%	3.2	0.1	3.0%	0.1	2.4%	
All Other	3.5	3.0	(0.5)	-14.8%	4.0	1.0	32.4%	0.5	12.9%	
Depreciation/Amortization	44.2	47.9	3.7	8.5%	56.2	8.3	17.4%	12.1	27.3%	
Support & Overhead Allocations ²	(14.0)	(14.0)	(0.0)	0.0%	(16.9)	(3.0)	21.2%	(3.0)	21.2%	
IT Income ³	(0.3)	(0.3)	0.0	-8.2%	(0.3)	(0.0)	13.3%	(0.0)	4.0%	
Income	(3.9)	(3.6)	0.3	-7.5%	(3.9)	(0.3)	8.0%	0.0	-0.1%	
Sub-Total, Goods & Services	\$ 220.1	\$ 203.2	\$ (16.9)	-7.7%	\$ 236.1	\$ 32.8	16.2%	\$ 16.0	7.3%	
Total Without Survey	\$ 813.7	\$ 804.3	\$ (9.4)	-1.2%	\$ 867.4	\$ 63.1	7.8%	\$ 53.7	6.6%	
Survey of Consumer Finances	0.7	0.7	0.0	0.8%	2.1	1.4	200.0%	1.4	202.3%	
Grand Total	\$ 814.4	\$ 805.0	\$ (9.4)	-1.1%	\$ 869.5	\$ 64.5	8.0%	\$ 55.1	6.8%	

Note: Components may not sum to totals and may not yield percentages shown because of rounding.

1. Net periodic benefits costs other than services costs related to pension and post-retirement benefits.

2. Support & Overhead Allocations include a net zero transfer of costs from the Board operating budget to the OIG and Currency operating budgets for Board support and overhead expenses attributable to the OIG and Currency.

3. This account includes other earned income collected from the Currency budget.

Appendix 4. Positions by Division/Office

Division/Office	2020 Budget	2020 Current	Variance 2020C To 2020B		2021 Budget	Variance 2020C To 2021B		Variance 2020B To 2021B	
			Amount	Percent		Amount	Percent	Amount	Percent
Research & Statistics (R&S)	356	356	-	0.0%	356	-	0.0%	-	0.0%
International Finance (IF)	158	158	-	0.0%	158	-	0.0%	-	0.0%
Monetary Affairs (MA)	171	171	-	0.0%	171	-	0.0%	-	0.0%
Financial Stability (FS) ¹	55	57	2	3.6%	57	-	0.0%	2	3.6%
Supervision & Regulation (S&R)	489	489	-	0.0%	489	-	0.0%	-	0.0%
Consumer & Community Affairs (C&CA)	131	131	-	0.0%	131	-	0.0%	-	0.0%
Reserve Bank Operations & Payment Systems (RBOPS)	182	182	-	0.0%	182	-	0.0%	-	0.0%
Board Members (BDM)	121	121	-	0.0%	121	-	0.0%	-	0.0%
Secretary (OSEC)	53	53	-	0.0%	53	-	0.0%	-	0.0%
Legal	129	129	-	0.0%	129	-	0.0%	-	0.0%
Chief Operating Officer (COO)	62	62	-	0.0%	62	-	0.0%	-	0.0%
Financial Management (DFM)	69	69	-	0.0%	69	-	0.0%	-	0.0%
Information Technology (IT)	413	413	-	0.0%	413	-	0.0%	-	0.0%
Management (MGT) ²	477	478	1	0.2%	478	-	0.0%	1	0.2%
Extraordinary Items ³	13	10	(3)	-23.1%	14	4	40.0%	1	7.7%
Grand Total	2,879	2,879	-	0.0%	2,883	4	0.1%	4	0.1%

1. Reflects the transfer of two positions from the Board's centralized position pool in 2020.

2. Reflects the transfer of one position from the Board's centralized position pool in 2020.

3. Reflects the transfer of three positions in 2020 from the Board's centralized position pool and the creation of four new positions to replenish the pool in 2021.

Appendix 5. ANP by Division/Office

Division/Office	2020 Budget	2020 Forecast	Variance 2020F To 2020B		2021 Budget	Variance 2020F To 2021B		Variance 2020B To 2021B	
			Amount	Percent		Amount	Percent	Amount	Percent
Research & Statistics (R&S)	345	346	0	0.1%	347	1	0.4%	2	0.5%
International Finance (IF)	153	152	(1)	-0.6%	154	2	1.1%	1	0.5%
Monetary Affairs (MA)	165	168	3	2.0%	173	4	2.5%	7	4.5%
Financial Stability (FS)	58	62	4	7.0%	66	4	6.8%	8	14.3%
Supervision & Regulation (S&R)	480	476	(4)	-0.8%	476	(0)	0.0%	(4)	-0.8%
Consumer & Community Affairs (C&CA)	131	133	1	0.9%	132	(1)	-0.8%	0	0.1%
Reserve Bank Operations & Payment Systems (RBOPS)	161	162	1	0.4%	169	7	4.4%	8	4.9%
Board Members (BDM)	121	116	(5)	-3.9%	120	4	3.7%	(0)	-0.4%
Secretary (OSEC)	50	51	1	1.7%	50	(1)	-1.2%	0	0.5%
Legal	118	119	0	0.1%	119	0	0.3%	0	0.3%
Chief Operating Officer (COO)	58	55	(3)	-5.2%	57	2	3.8%	(1)	-1.6%
Financial Management (DFM)	71	71	0	0.3%	71	0	0.4%	1	0.7%
Information Technology (IT) ¹	476	489	13	2.8%	485	(4)	-0.9%	9	1.9%
Management (MGT)	484	474	(10)	-2.1%	489	15	3.3%	5	1.1%
Extraordinary Items ¹	39	29	(10)	-25.7%	65	36	125.8%	26	67.7%
Savings & Reallocations ²	(7)	(1)	6	-90.8%	(1)	(0)	n.a.	6	-85.8%
Grand Total	2,903	2,900	(2)	-0.1%	2,971	71	2.4%	69	2.4%

Note: Includes Board staff and contractors. Components may not sum to totals and may not yield percentages shown because of rounding.

1. Growth rates are affected by the shifting of strategic technology projects from IT to Extraordinary Items.

2. Includes negative centralized budget execution and forecast adjustments.

Appendix 6. Multi-Cycle Capital Budget by Project/Program

Project/Program	Millions of dollars						2021 Expected Expenditures
	Current Project Life Budget	Initiatives/ Project Closures	New Project Life Budget	Estimated Project Life Spending Through YE 2020			
				Dollars	% Spent		
Martin renovation program ¹	\$ 526.9	\$ (35.2)	\$ 491.7	\$ 298.5	56.6%	\$ 99.9	
NYA renovation program ²	438.2	-	438.2	4.0	0.9%	-	
Eccles renovation program	622.6	-	622.6	10.7	1.7%	19.7	
Post Eccles reconfiguration	23.3	-	23.3	-	n.a	-	
Eccles historic roof replacement ³	0.4	(0.4)	-	0.2	41.2%	-	
1951 Constitution Ave. NW acquisition and renovation program	755.2	-	755.2	55.2	7.3%	28.3	
Sub-Total, Building Improvements	\$ 2,366.6	\$ (35.6)	\$ 2,331.0	\$ 368.5	15.6%	\$ 147.9	
Regulation, Analysis, and Modeling Platform (RAMP)	11.0	0.3	11.3	9.5	86.2%	1.7	
Sub-Total, Supervision Data Capabilities	\$ 11.0	\$ 0.3	\$ 11.3	\$ 9.5	86.2%	\$ 1.7	
OCDO strategic initiatives	18.0	-	18.0	8.1	44.9%	1.8	
Sub-Total, Data Strategy	\$ 18.0	\$ -	\$ 18.0	\$ 8.1	44.9%	\$ 1.8	
Security tool implementation ³	0.7	(0.7)	-	0.5	69.9%	-	
Information portal (C&CA)	1.9	-	1.9	1.8	96.6%	0.1	
FOMC system enhancements	1.9	0.7	2.6	0.9	47.5%	0.6	
HR/financial management ERP operating system upgrade	1.6	-	1.6	1.2	73.6%	0.4	
NextGen transformation: HCM, financial mgt., and procurement system upgrades	3.9	17.9	21.9	-	0.0%	4.7	
Technology Optimization Program (TOP) (OSEC) ⁴	2.3	6.7	9.0	0.3	11.4%	2.9	
Financial market infrastructure (FMI) participation database	1.0	1.1	2.1	1.0	99.3%	1.0	
Payments Data Repository (PDR)	-	0.7	0.7	-	n.a.	0.7	
ServiceNow enterprise solution	-	0.5	0.5	-	n.a	0.5	
Sub-Total, Automation	\$ 13.3	\$ 26.9	\$ 40.1	\$ 5.6	42.3%	\$ 10.9	
Physical access control systems upgrade ³	1.8	(1.8)	-	0.4	24.7%	-	
Sub-Total, Security Enhancements	\$ 1.8	\$ (1.8)	\$ -	\$ 0.4	24.7%	\$ -	
Grand Total	\$ 2,410.6	\$ (10.2)	\$ 2,400.4	\$ 392.1	16.3%	\$ 162.3	

Note: Components may not sum to totals and may not yield percentages shown because of rounding.

Acronyms: Year End (YE). New York Avenue (NYA). Office of the Chief Data Officer (OCDO). Human Resources (HR). Federal Open Market Committee (FOMC). Enterprise Resource Planning (ERP). Human Capital Management (HCM).

1. Includes the Martin north garage and east fountain exterior improvements projects. With the 2021 budget, costs to build out leased swing space will be fully removed from the program.

2. Includes 8th floor reconfiguration, restroom infrastructure, and mechanical upgrades projects.

3. These projects will be retired with the approval of the 2021 budget.

4. Previously, this project was named automation modernization.