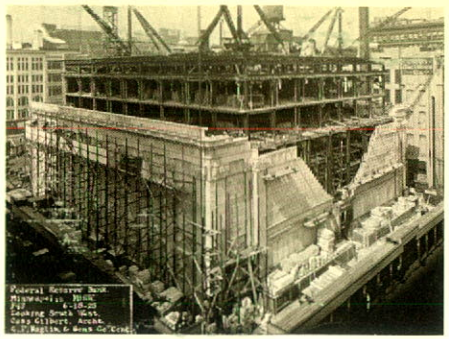
Federal Reserve Bank of Minneapolis Annual Report 1972



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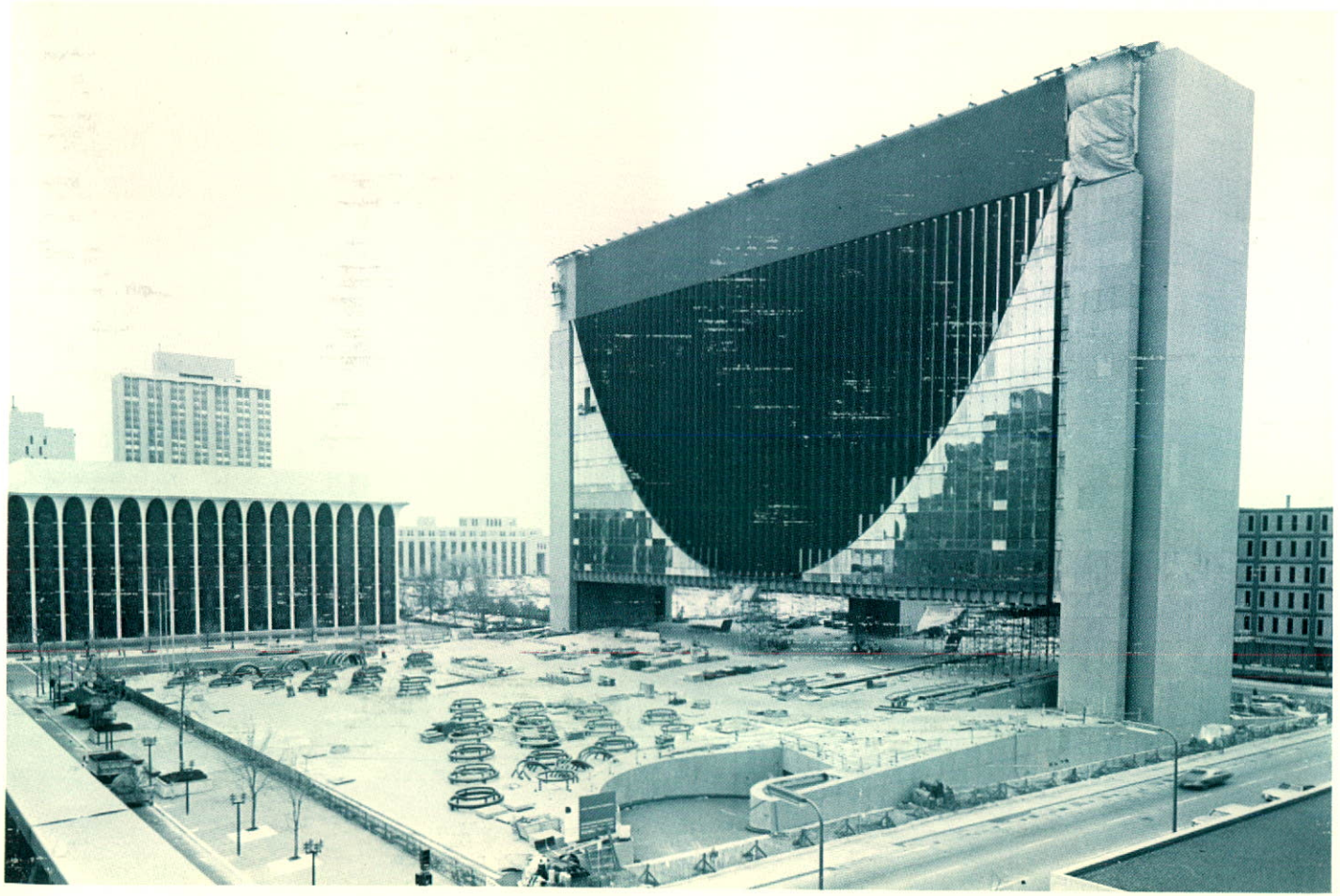

Annual Report 1972

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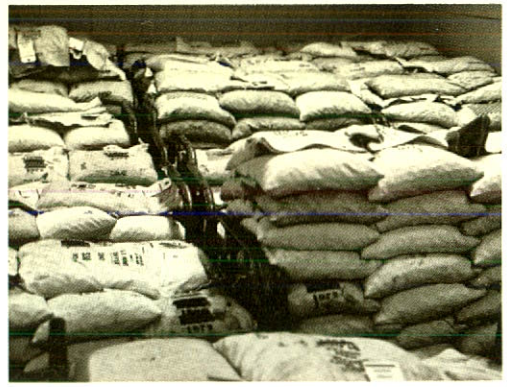
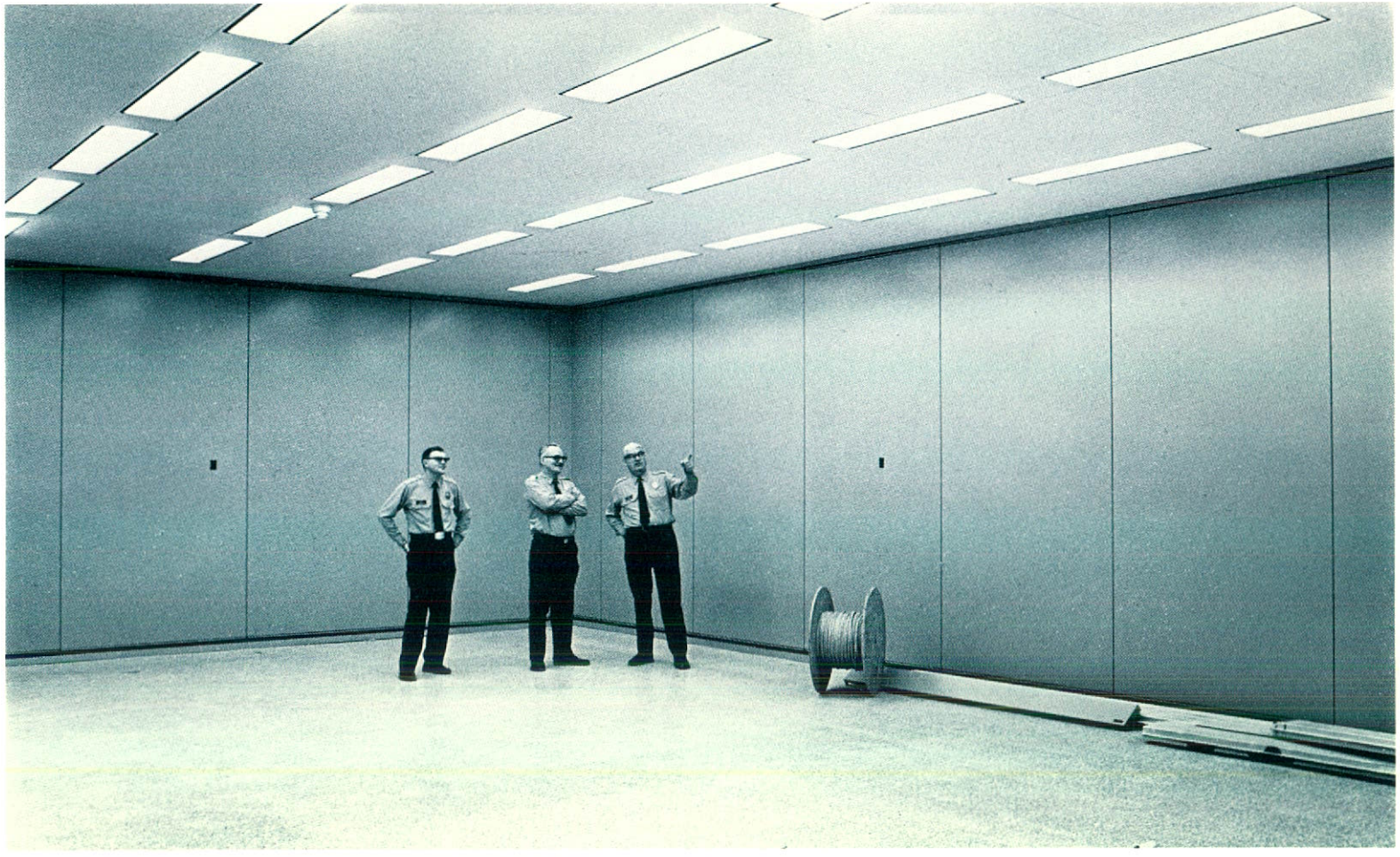
To the Ninth District Community:

By the summer of 1973, the Federal Reserve Bank of Minneapolis will move its head office operations to new quarters. We hope and believe that our new structure represents a major contribution to the architectural landscape of Minneapolis. But its real significance lies in the degree to which its facilities will enable us to provide better programs and services for the Ninth District community as a whole.

Fifty years ago, the cornerstone was laid for the present building—a structure that served the district during a time when the country's gross national product grew from $74 billion to over $1 trillion per year and the number of checks processed Systemwide from ½ billion per year to a figure 17 times that. The banking resources of the district have grown tenfold from a figure of $2 billion. Population shifts in the district have been dramatic, although total population has only grown from 5 to 6.7 million.

The designers of the new building considered these trends among others in arriving at the bridge-like structure to house the specialized services and functions of this Federal Reserve Bank. The three-level secure area under a sloping 2.5 acre plaza, is a stronghold for the valuables of the financial community of the entire district. Close to $3 billion, or two-thirds of the total securities portfolios of our member banks, will be held for safekeeping in vaults below the plaza; a similar dollar amount of





New vault space, triple that presently available, will enhance efforts to improve services for the Ninth District financial community.

unissued government securities will also be held for use in funding and refunding the Ninth District's portion of the government debt.

Of more direct interest to many of us are the currency and coin operations that provide the public, through the commercial banking system, with the "pocketbook money" needed to keep the wheels of commerce turning smoothly. The additional space afforded by the unique design of the structure will permit a new level of service and security. Shipment of money into and out of the building requires large unobstructed spaces, not presently available, for armored and other carriers to load and unload. We have already expanded our coin and currency armored car service to Twin Cities banks and additional banks in the western part of North and South Dakota. An expanded coin wrapping operation, making wrapped coin available to all Ninth District banks, is planned for late 1973. Our current annual production of 6 million rolls is expected to increase to 20 million rolls of coin by 1974.

Part of our money function is to replace old, unfit currency with new Federal Reserve Notes. In recent years, an average of $250 million a year has been burned. In the new building, unfit currency will be pulverized rather than burned. Not only will a smoke problem thus be eliminated, but the pulverized material will eventually be recycled for use in products such as roofing materials. The new vault facilities will also permit us to maintain a larger supply of unissued currency, available for commercial needs and an expanding economy. Coin operations will no longer be limited by an on-site storage maximum of 235 tons; the new vault will be able to handle well over 1,000 tons of coin.

On a number of fronts, the Federal Reserve has been pressing its efforts to develop a more efficient national payments mechanism. For example, a change in Regulation J required same-day rather than deferred payment of cash items presented to banks, regional check processing centers were set up in several Federal Reserve districts to speed check delivery, and the first "automated clearinghouse" system was started in California in 1972. In Minneapolis, the first phase of the Upper Midwest Regional Check Processing Center was implemented in October 1, 1972, bringing into the same-day payment zone 106 banks within a 15-mile radius of the Twin Cities. Shortly after we move into the new building, we will be able to expand the immediate payment zone to a 50-mile radius around the Twin Cities, to include 121 more banks. Not long afterward, our expanded facilities will permit us to process checks at the head office on an overnight basis from similar-sized areas around Duluth, Rochester and Eau Claire. When fully implemented, the UM-RCPC will be providing overnight check clearance for items drawn on 430 banks in the district. Conversion to third-generation computer systems, completed in July, provided additional check processing capacity as well as better internal controls and expanded flexibility for future growth.

Improvements in the payments mechanism benefit the public, both individuals and

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Minneapolis, Minn.
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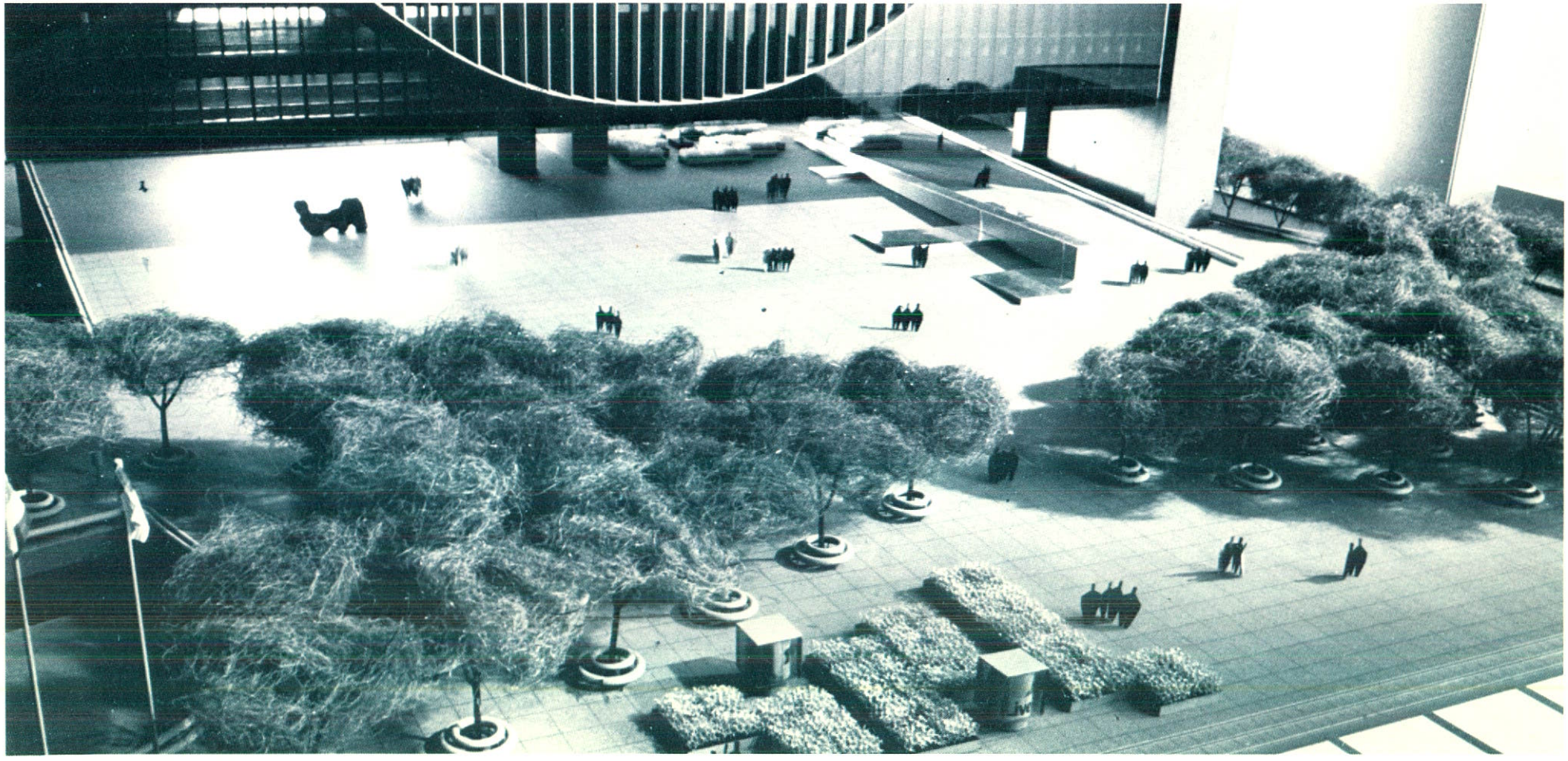
Cass Gilbert, Archt.
C. F.Jaglin & Sons Co.C



businesses, by enabling them to make more efficient use of their funds. These advances anticipate the day when financial transactions are settled electronically, reducing the cumbersome problems associated with transporting tons of paper checks across the country.

Many of these new services are in accord with Systemwide efforts to provide a swift and efficient financial system, facilitating business and commerce throughout the nation and the entire community of the Ninth District.

For years, we have carried on our activities behind a formidable, if not forbidding, facade. The new building and its plaza are intended to convey a more congenial stance toward the public, while preserving both symbolically and in fact a fortress-like security. The plaza was consciously designed for use by the public, both for informal gatherings and suitable public activities. It will have seating places, drinking fountains and three large sculptures to form a natural gathering place.

Interest in the Federal Reserve will be heightened by the opening of our new structure. We welcome the opportunity this interest gives us to bring knowledge to a broad public about what we are doing and how it affects them.

For this reason, we are expanding our efforts to bring information about our activities to the public. The opportunity to visit, tour and learn about the Federal Reserve will be extended. Special publications, displays and films are planned for distribution throughout the district. A series of luncheons for district bankers and businessmen will provide opportunities for dialogue about economic concerns and challenges for the Upper Midwest. We intend to use our new building for meetings and discussions during 1973 to underscore the economic and financial relationships between this institution and the entire Ninth Federal Reserve District, and between this district and the rest of the country.

All in all, we look forward to exciting times —an opportunity and challenge to remain responsive to the needs of the public and the business and financial community. To this end, we enthusiastically invite your participation.

Bruce K. MacLaury
President

The architect envisioned the plaza as an informal gathering place, a contrast to the absence of "public space" around the present building.

Statement of Condition

Assets	Dec. 31,1972	Dec. 31, 1971
Total Gold Certificate Account	$ 77,902,245	$ 24,759,230
Special Drawing Rights Certificate Account	7,000,000	7,000,000
Federal Reserve Notes of other Federal Reserve Banks	27,003,900	31,038,700
Other cash	5,053,326	8,047,404
Loans to member banks secured by U.S. Government securities	1,650,000	550,000
Securities		
Federal Agency obligations	25,684,000	8,799,000
U.S. Government securities	1,367,269,000	1,251,650,000
Total loans and securities	1,394,603,000	1,260,999,000
Foreign currencies	4,416,000	—
Cash items in process of collection	456,606,526	709,111,725
Bank premises	29,789,128	18,732,132
Other assets	18,398,966	16,785,103
Total Assets	**2,020,773,091**	**2,076,473,294**
Liabilities		
Federal Reserve Notes in circulation	1,040,587,839	914,426,971
Deposits:		
Member banks-reserve accounts	548,820,418	681,598,332
Due to other Federal Reserve Banks—Collected funds	—	442,884
United States Treasurer-general account	52,473,719	66,461,106
Foreign	6,670,000	6,440,000
Other deposits	6,157,653	4,567,821
Total deposits	614,121,790	759,510,143
Deferred availability cash items	315,389,136	355,796,580
Other liabilities	14,409,126	12,949,300
Total Liabilities	**1,984,507,891**	**2,042,682,994**
Capital Accounts		
Capital paid in	18,132,600	16,895,150
Surplus	18,132,600	16,895,150
Total Liabilities and Capital Accounts	**2,020,773,091**	**2,076,473,294**
Ratio of gold certificate reserves to Federal Reserve Note liabilities	7.5%	2.7%

Earnings and Expenses

	1972	1971
Current Earnings		
Interest on loans to member banks	$ 168,386	$ 87,784
Interest on U.S. Government securities	73,638,392	72,376,648
All other earnings	241,724	131,202
Total Current Earnings	**74,048,502**	**72,595,634**
Current Expenses		
Operating Expenses	16,737,646	14,501,960
Assessment for expenses of Board of Governors	801,600	737,700
Federal Reserve Currency	555,884	688,852
Total Current Expenses	**18,095,130**	**15,928,512**
Less: reimbursement for certain fiscal agency and other expense	832,820	848,144
Net Expenses	**17,262,310**	**15,080,368**
Current Net Earnings	**56,786,192**	**57,515,266**
Net Additions to Current Net Earnings		
Profits on sales of U.S. Government securities (net)	57,268	2,032,385
All other	−1,153,681	−185,523
NET EARNINGS BEFORE PAYMENTS TO UNITED STATES TREASURY	55,689,779	59,362,128
PAYMENTS TO U.S. TREASURY	53,401,066	57,273,629
DIVIDENDS PAID	1,051,263	991,349
TRANSFERRED TO SURPLUS	1,237,450	1,097,150
SURPLUS January 1	16,895,150	15,798,000
SURPLUS December 31	18,132,600	16,895,150

Volume of Operations*

	Number		Dollar Amount	
	1972	1971	1972	1971
Loans to member banks	168	180	$ 303 million	$ 165 million
Currency received and counted	98 million	89 million	706 million	652 million
Coin received and counted	311 million	257 million	37 million	29 million
Checks handled, total	471 million	419 million	117 billion	101 billion
Collection items handled	.8 million	.9 million	1.8 billion	1.4 billion
Issues, redemptions, exchanges of U.S. Government securities	6.3 million	5.4 million	19.0 billion	20.5 billion
Securities held in safekeeping	366,235	355,880	3.2 billion	3.0 billion
Transfers of funds	358,310	300,717	336 billion	274 billion

*All figures are for Minneapolis and Helena combined.

Federal Reserve Bank of Minneapolis

Head Office Directors

David M. Lilly, Chairman and Federal Reserve Agent
Bruce B. Dayton, Deputy Chairman

	Term Expires December 31
Class A – Elected by Member Banks	
Philip H. Nason, Chairman, First National Bank, Saint Paul, Minnesota	1973
Roy H. Johnson, President, First National Bank, Negaunee, Michigan	1974
David M. Smith, President, First National Bank, River Falls, Wisconsin	1975
Class B – Elected by Member Banks	
Dale V. Andersen, President, Mitchell Packing Company, Mitchell, South Dakota	1973
John H. Bailey, President, The Cretex Companies, Inc., Elk River, Minnesota	1974
David M. Heskett, President, Montana-Dakota Utilities Company, Bismarck, North Dakota	1975
Class C – Appointed by Board of Governors	
Russ B. Hart, President, Hart-Albin Company, Billings, Montana	1973
Bruce B. Dayton, Chairman of the Board, Dayton Hudson Corporation, Minneapolis, Minnesota	1974
David M. Lilly, Chairman of the Board, The Toro Company, Minneapolis, Minnesota	1975

Officers

Bruce K. MacLaury, President; Maurice H. Strothman, Jr., First Vice President; Sheldon L. Azine, Assistant Counsel and Assistant Secretary; Earl O. Beeth, Assistant Vice President; Melvin L. Burstein, General Counsel; Frederick J. Cramer, Vice President; Ralph J. Dreitzler, Vice President; Leonard W. Fernelius, Vice President; Lester G. Gable, Vice President; Thomas E. Gainor, Vice President; Roland D. Graham, Senior Vice President; Albert R. Hamilton, General Auditor; Richard C. Heiber, Assistant General Auditor; Douglas R. Hellweg, Vice President; Richard J. Herder, Assistant Research Director; Ronald O. Hostad, Assistant Vice President; LeRoy G. Hughes, Building Officer; Arthur I. Lee, Assistant Vice President; John A. MacDonald, Senior Vice President; David R. McDonald, Vice President; Clarence W. Nelson, Vice President and Director of Research; John P. Olin, Vice President and Secretary; Ruth A. Reister, Assistant Vice President and Assistant Counsel; Herman M. Slind, Accounting Officer; Richard B. Thomas, Assistant Vice President; Clement A. Van Nice, Senior Vice President; Joseph R. Vogel, Chief Examiner; Robert W. Worcester, Vice President.

Helena Branch Directors

William A. Cordingley, Chairman
Warren B. Jones, Vice Chairman

	Term Expires December 31
Appointed by Board of Governors	
William A. Cordingley, Publisher, Great Falls Tribune, Great Falls, Montana	1973
Warren B. Jones, Secretary-Treasurer, Two Dot Land & Livestock Company, Harlowton, Montana	1974
Appointed by Board of Directors, Federal Reserve Bank Minneapolis	
Richard D. Rubie, Chairman, Bancorporation of Montana, Great Falls, Montana	1973
Robert I. Penner, President, Citizens First National Bank, Wolf Point, Montana	1974
John Reichel, President, First National Bank, Bozeman, Montana	1974

Officers

Howard L. Knous, Vice President; Bruce J. Hedblom, Assistant Vice President;
John D. Johnson, Assistant Vice President

Member of Federal Advisory Council
Chester C. Lind, President, First American National Bank, Duluth, Minnesota

January 1, 1973