

Glen R. Smith, Chairman and Chief Executive Officer
Jeffery S. Hall, Board Member



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
January 9, 2020**

These minutes reflect the business transacted at the January 9, 2020, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act, 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

The FCA Board meeting was held at the FCA office in McLean, Virginia, beginning at 9:00 a.m. and concluding at 9:58 a.m. Members of the Board present were:

Glen R. Smith, Chairman and Chief Executive Officer
Jeffery S. Hall, Member

Others present included **Charles Rawls**, General Counsel; **Dale Aultman**, Secretary to the Board; staff of the FCA; and four members of the general public. (A list of staff attendees is attached as Exhibit A.)

Chairman Smith recognized **Joy Strickland**, Deputy General Counsel, as retiring soon and thanked her for decades of public service and wished her best of luck in the future.

The **Secretary** read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

Chairman Smith reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

Mr. Hall moved to adopt the Agenda as published.

Chairman Smith seconded the motion.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

Mr. Hall noted that the Agenda *did* include portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that be closed as indicated on the Agenda.

Chairman Smith seconded the motion.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

OPEN SESSION

Approval of Minutes

Minutes for December 12, 2019 Regular Board Meeting (BM-9-JAN-20-01)

Mr. Hall moved to approve the minutes for the December 12, 2019, FCA Regular Board Meeting.

Chairman Smith seconded the motion.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-9-JAN-20-01)**

(A copy of the official "Board Action Item" is attached as Exhibit C.)

New Business

Interest Rate Risk Management Bookletter (BM-9-JAN-20-02)

Clayton Milburn of the **Office of Regulatory Policy**, and **Joy Strickland** of the **Office of General Counsel** presented the Interest Rate Risk Management Bookletter.

Chairman Smith opened the discussion for questions by the board.

Chairman Smith asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

Chairman Smith called for a motion on the staff's recommendation.

Mr. Hall moved to approve the Interest Rate Risk Management Bookletter.

Chairman Smith seconded the motion.

Chairman Smith asked if there was any further discussion.

Mr. Hall requested, without objection, that the minutes reflect he supported the Bookletter because it adopts a flexible and principles-based architecture. He noted the subject matter is very dynamic and this guidance will provide the System additional flexibility in a very challenging interest rate environment. Finally, the Bookletter aligns FCA more closely with other Federal banking regulatory agencies.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-9-JAN-20-02)**

(A copy of the official "Board Action Item" is attached as Exhibit D.)

**Amortization Limits Proposed Rule
(BM-9-JAN-20-03)**

Lori Markowitz of the **Office of Regulatory Policy**, and **Richard Katz** of the **Office of General Counsel** presented the Amortization Limits Proposed Rule.

Chairman Smith opened the discussion for questions by the board.

Chairman Smith asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

Chairman Smith called for a motion on the staff's recommendation.

Mr. Hall moved to approve the Amortization Limits Proposed Rule.

Chairman Smith seconded the motion.

Chairman Smith asked if there was any further discussion.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-9-JAN-20-03)**

(A copy of the official "Board Action Item" is attached as Exhibit E.)

Report

Auditor's Report on FCA FY 2019/2018 Financial Statements

Tori Kaufman, of the **Office of Inspector General** and **Matt Farage** of **Harper, Rains, Knight, and Company** presented the Auditor's Report on FCA FY 2019/2018 Financial Statements.

Chairman Smith asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

(A copy of the PowerPoint presentation is attached as Exhibit F.)

CLOSED EXECUTIVE SESSION

Chairman Smith noted that this was a Closed Executive Session and ensured that the public and nonessential staff were not in the room, so the Board could meet in Closed Executive Session with the Auditor and later to receive the report on the 2019 FISMA Audit.

Chairman Smith convened the Closed Executive Session of the meeting at 9:31 a.m. and instructed the **Secretary** to activate the electronic recording device so that the proceedings of the closed session were properly recorded as required by the Government in the Sunshine Act.

Chairman Smith then instructed the **General Counsel** to furnish the **Secretary** with a certification, pursuant to 5 U.S.C. § 552b(f), that the portions of the meeting held in closed session may be properly closed to the public. (A copy of the Certification is attached hereto as Exhibit G.)

Meeting with Auditors

The **Board** met in executive session with the **Matt Farage** from **Harper, Rains, Knight, and Company**. (Those in attendance are listed in Exhibit A below.)

Chairman Smith asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

Report on 2019 FISMA Audit

Tori Kaufman, of the **Office of Inspector General** presented the **Report on 2019 FISMA Audit**. (Those in attendance are listed in Exhibit A below.)

Chairman Smith asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

Adjournment

There being no further business to come before the Board, **Chairman Smith** indicated he would entertain a motion to adjourn the meeting.

Mr. Hall moved that the meeting be adjourned.

Chairman Smith seconded the motion.

Chairman Smith called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

The meeting adjourned at 9:58 a.m.

NOTATIONAL VOTE ACTIONS

There were four notational vote actions approved by the FCA Board from December 12, 2019, through January 8, 2020 as follows:

Item Number	Action Date	Voting Results	Subject
NV 19-35	12/18/2019	Approved	Revised Market Emergency Standby Resolution authorizing temporary relief from certain provisions of FCA's liquidity regulations in the event of an overall market disruption.
NV 19-36	12/18/2019	Approved	Delegated authority to the director of ORP to reopen the comment period for the joint agency proposed rule on margin and capital requirements for covered swap entities.
NV 19-37	12/27/2019	Approved	Regulatory Capital Treatment of Noninterest-Bearing Account Receivable to Fund Stock
NV 19-38	12/27/2019	Approved	Authorized the CFO to reallocate funds to cover compensation and benefits of two employees who transferred between offices.

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
January 9, 2020**

Glen R. Smith, Board Chairman / CEO
Jeffery S. Hall, Board Member

OFFICE	OPEN SESSION	CLOSED EXECUTIVE SESSION with AUDITORS	CLOSED EXECUTIVE SESSION for FISMA
Office of the Board			
Aultman, Dale	X	X	X
Kramp, Kevin	X	X	X
Morris, James	X	X	X
Roque-Brehm, Awilda	X		
Calhoun, Gaye	X		
COO			
Coleman, Robert	X		
OIT			
Golley, Jerald	X		X
Shaffer, Jeannie	X		X
OCPA			
Stokke, Michael	X		
Middleton, Russell	X		
OGC			
Rawls, Charles	X	X	X
Strickland, Joy	X		
Katz, Richard	X		
OE			
Paulsen, Roger	X		
Schumacher, Ryan	X		
Bednarz, Curtis	X		
OIG			
Laguarda, Wendy	X	X	X
Cerne, Sonya	X		X
Kaufman, Tori	X		X
Miller, Kevin	X		
OSMO			
Rea, Laurie	X		
Hudson, Bruce	X		
ORP			
Grahn, David	X		
Milburn, Clayton	X		
Edelstein, Jeremy	X		
Markowitz, Lori	X		
Johansen, Mark	X		

OFFICE	OPEN SESSION	CLOSED EXECUTIVE SESSION with AUDITORS	CLOSED EXECUTIVE SESSION for FISMA
OCFO			
Smith, Stephen	X		
Gandy, Doug	X		
Cabrera, Victoria	X		
Soares, Ily	X		
OAS			
Bell, Vonda	X		
Clark, Patrina	X		
ODAE			
D'Antoni, Jeremy	X		
Harper, Rains, Knight, and Co. (Independent Auditors)			
Farage, Matt	X	X	
GENERAL PUBLIC	4	N/A	N/A

Farm Credit Administration

1501 Farm Credit Drive
 McLean, VA 22102-5090
 (703) 883-4000



**Public Announcement of
 Meeting Subject to the Government in the Sunshine Act
 Farm Credit Administration Board
 Regular Meeting
 January 9, 2020**

Summary: Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. Sec. 552b(e) (1)), of the forthcoming regular meeting of the Farm Credit Administration Board.

Date and Time: The regular meeting of the Board will be held January 9, 2020. The meeting is scheduled to be held at the office of the Farm Credit Administration in McLean, Virginia, from 9:00 a.m. until such time as the Board may conclude its business.

Address: Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090. Submit attendance requests via e-mail to VisitorRequest@FCA.gov. See SUPPLEMENTARY INFORMATION for further information about attendance requests.

For Further Information Contact: Dale Aultman, Secretary to the Farm Credit Administration Board (703) 883-4009. TTY is (703) 883-4056.

Supplementary Information: This meeting of the Board will be open to the public (limited space available). Please send an e-mail to VisitorRequest@FCA.gov at least 24 hours before the meeting. In your e-mail include: name, postal address, entity you are representing (if applicable), and telephone number. You will receive an e-mail confirmation from us. Please be prepared to show a photo identification when you arrive. If you need assistance for accessibility reasons, or if you have any questions, contact Dale Aultman, Secretary to the Farm Credit Administration Board, at (703) 883-4009. The matters to be considered at the meeting are:

OPEN SESSION

Approval of Minutes

- 1 December 12, 2019

New Business

- 2 Interest Rate Risk Management Bookletter
- 3 Amortization Limits Proposed Rule

Report

- 4 Auditor’s Report on FCA FY 2019/2018 Financial Statements

CLOSED SESSION

Closed Executive Session¹

- 5 Meeting with Auditors
- 6 Report on 2019 FISMA Audit

 /s/
 Dale Aultman
 Secretary to the Board

 December 30, 2019
 Date

¹ Session Closed-Exempt pursuant to 5 U.S.C. Section 552b(c)(2).

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for DECEMBER 12, 2019

BM-9-JAN-20-01

Effective Date: January 9, 2020

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for December 12, 2019, regular Board Meeting.

DATED THIS 9th DAY OF JANUARY 2020

BY ORDER OF THE BOARD

/s/
Dale L. Aultman
Secretary to the Board

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

BOARD ACTION ITEM



FCA BOARD ACTION ON

Interest Rate Risk Management Bookletter

BM-9-JAN-20-02

Effective Date: January 9, 2020

THE FCA BOARD HEREBY:

- Approves the Bookletter – 072 – Interest Rate Risk Management, which would provide guidance to Farm Credit System institutions on the appropriate implementation of effective interest rate risk management processes;
- Rescinds Bookletter – 012, Asset/Liability Management Practices; and
- Authorizes FCA staff to make any technical or grammatical changes to Bookletter – 072 – Interest Rate Risk Management that may be necessary prior to issuance.

DATED THIS 9th DAY OF JANUARY 2020

BY ORDER OF THE BOARD

/s/
Dale L. Aultman
Secretary to the Board

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

BOARD ACTION ITEM



FCA BOARD ACTION ON

Amortization Limits Proposed Rule

BM-9-JAN-20-03

Effective Date: January 9, 2020

THE FCA BOARD HEREBY:

- Approves the proposed rule that would repeal the amortization and other limits on PCA loans in §§ 614.4040(a)(2) and (a)(3) and add a new paragraph at the end of § 614.4200 that would require Farm Credit System associations to address certain factors in their credit underwriting standards and internal controls whenever loans amortize over a longer time than the terms to maturity; and
- Authorizes staff to make any technical or grammatical changes that may be necessary prior to publication in the *Federal Register*.

DATED THIS 9th DAY OF JANUARY 2020

BY ORDER OF THE BOARD

_____/s/
Dale L. Aultman
Secretary to the Board



Farm Credit Administration

Fiscal Year 2019 Financial Statements Audit

Auditors' Report Overview

Opinion on FCA's FY 2019 Financial Statements

Unmodified Opinion

Report on FCA's Internal Controls over Financial Reporting

No opinion issued

No significant deficiencies or material weaknesses identified

Report on FCA's Compliance and Other Matters

No opinion issued

No instances of non-compliance identified

Audit Strategy

Key Audit Areas:

- Payroll Expenditures (81% of total expenditures)
- Investments (92% of total assets)
- Assessments

Methodology:

- Reliance on controls at service providers
- Testing of controls in place at FCA
- Interim and year-end substantive testing

Financial Statements

Financial Statement Analysis:

Balance Sheet –Line Items were materially consistent with the prior year with the exception of Fund balance with Treasury.

Balance Sheets

As of September 30, 2019 and 2018

(In Dollars)

	2019	2018
Fund balance with Treasury (note 2)	\$ 1,388,463	\$ 4,127,940

Financial Statements

Financial Statement Analysis – Cont'd:

- **Balance Sheet – Cont'd**

- Fund balance with Treasury shows a significant decrease from FY18 to FY19. FCA works to maintain a small fund balance by investing funds not currently needed. The decrease is due to FCA moving a higher percentage of their funds on hand at 9/30/19 to investments than they did at 9/30/18.

Financial Statements

Financial Statement Analysis – Cont'd:

- **Statement of Net Cost** – Net Cost of Operations decreased from FY18 to FY19 due to revenue increasing more than gross costs.

Statements of net cost

For the years ended Sept. 30, 2019 and 2018
(In dollars)

	Program Costs	2019	2018
Public mission	Gross costs	\$20,472,180	\$20,089,846
	Less: Earned revenue	(18,833,677)	(18,156,025)
	Net program cost	\$1,638,503	\$1,933,821
Safety and soundness	Gross costs	\$59,441,216	\$55,986,290
	Less: Earned revenue	(54,672,029)	(50,641,483)
	Net program cost	\$4,769,187	\$5,344,807
Other activity	Gross costs	\$1,005,507	\$670,677
	Less: Earned revenue	(668,273)	(487,337)
	Net program cost	\$337,234	\$183,340
Net cost of operations (note 7)		\$6,744,924	\$7,461,968

Financial Statements

Financial Statement Analysis – Cont'd:

- **Statement of Net Cost – cont'd**
- The increase in Earned Revenues is primarily due to increases in assessments, interest earned on investments, and reimbursable activity in FY19 over FY18.
- The increase in Gross Costs is primarily due to increases in employee compensation and contract services.

Financial Statements

Financial Statement Analysis – Cont'd:

- **Statement of Changes in Net Position** – Net Position remained materially consistent in FY19 as compared to FY18.

Statements of changes in net position

For the years ended Sept. 30, 2019 and 2018
(In dollars)

	2019	2018
Cumulative results of operations		
Beginning balances	\$20,523,940	\$20,915,620
Other financing sources (Non-exchange)	Imputed financing sources	
	Federal employee benefits (note 8)	3,472,798
	Rent (note 8)	3,070,288
	Total financing sources	4,000,000
Net cost of operations	7,122,798	7,070,288
Net change	(6,744,924)	(7,461,968)
Cumulative results of operations	377,874	(391,680)
Net position	\$20,901,814	\$20,523,940

Financial Statements

Financial Statement Analysis – Cont'd:

- **Statement of Budgetary Resources** –
 - The increase in budgetary resources available in the current year is primarily due to an increase in the board-approved budget coupled with the corresponding increase of the congressional limitation on spending.
 - Unobligated balance, end of year remained consistent year over year.
 - Net Outlays are the difference between collections (assessments) and outlays (obligations). In FY19 FCA had more total collections than total outlays.

~ Thank You ~
Inspector General and Staff
&
Chief Financial Officer and Staff



Harper, Rains, Knight & Company

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CERTIFICATE OF CLOSED MEETING

The General Counsel, in accordance with the Government in the Sunshine Act, 5 U.S.C. § 552b(f)(1), hereby certifies that the Farm Credit Administration Board regular meeting of January 9, 2020, was properly closed to the public on the basis of the exemption set forth below:

- Information related solely to the internal practices of an Agency – 5 U.S.C. §552b(c)(2).

January 9, 2020
Date

/s/
Charles R. Rawls
General Counsel