

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARDJune 29, 1935.
B-1089.

Dear Governor:

There are enclosed, copies of a formula for use in computing square foot space costs and cubic foot vault costs, referred to in our telegram of today (Trans 2284).

The "Manual of Instructions Governing the Preparation of Functional Expense Reports" effective January 1, 1935, provides, on page 6, that the units of the "Fiscal Agency, Custodianship, and Depository" function should be charged with a proportionate part of the "Provision of Space" costs, based on the proportion of square feet of office and vault space used by such units. It is suggested that, instead of reporting square feet of vault space used by such units, Form E figures for the semi-annual report for the period ending June 30, 1935 be prepared on the basis of cubic feet of vault space, and that both the square foot space figures and cubic foot vault figures be based on the average space actually assigned to such units during the six month period. If it is not practical to arrive at average figures, the space used on the last day of the period may be substituted.

It is understood that several Reserve Banks plan to use the enclosed formula for determining the amount of "Provision of Space" expense to be charged to the units of the "Fiscal Agency, Custodian-

#2.

ship, and Depository" function, and it is suggested that, in order to maintain uniformity in the method of such distribution, the formula be used by all banks.

In preparing Form E, the following item which appears on pages 18, 19, 20 and 21 -

"Proportion of 'Provision of Space' function,
(on basis of _____ square feet)"

should be changed to read -

"Space,
(on basis of _____ square feet of floor space and
_____ cubic feet of vault space)".

The figures reported under the new item should be based on the number of square feet of floor space assigned to, and the number of cubic feet of vault area used by each "Fiscal Agency, Custodianship, and Depository" unit, multiplied by the square foot space cost and the cubic foot vault cost, as determined in accordance with the formula.

It will be noted that the entire cost of the "Vault Maintenance" unit is included in the calculation for determining the cubic foot cost of the vault. However, no actual distribution should be made from the "Vault Maintenance" unit. The entire amount reported under the item "Space" in the units of the "Fiscal Agency, Custodianship, and Depository" function, should be shown as a deduction in the "Provision of Space" function, under the appropriate captions provided on page 3 of Form E.

Yours very truly,



E. L. Smead, Chief,
Division of Bank Operations.

FORMULA FOR
DISTRIBUTION OF BUILDING MAINTENANCE COSTS TO THE UNITS OF THE
FISCAL AGENCY, CUSTODIANSHIP, AND DEPOSITARY FUNCTION

(Figures have been inserted to show method of calculation only)

A. METHOD OF DETERMINING THE TOTAL NUMBER OF SQUARE FEET OF RENTABLE
OR USABLE SPACE IN BUILDING

1. Measure the interior floor area of the building between plaster surfaces of outside walls, EXCLUDING

(a) service or utility areas, such as access aisles or passage ways to rentable or usable space, access corridors, stairways, elevator corridors and shafts, entrance lobby, wash rooms, lavatories, toilets, locker rooms, tube rooms, etc.;

(b) building equipment space, such as elevator pent-houses, heating plant, power plant, air-conditioning or ventilating equipment space, and fuel space;

(c) building and maintenance space, such as building supply rooms, store rooms, work rooms, service rooms, etc.; and

(d) cash and security vault space (item A-2) but including other vault space such as book vaults.

NOTE: Inside walls or partitions dividing usable or rentable space should be included in the total number of square feet of floor space. Inside walls separating usable or rentable space from service or utility areas, building and maintenance space, or building equipment space should be excluded in calculating usable or rentable space

110,460 sq.ft.

2. Measure the total building floor space area occupied by cash and security vaults, INCLUDING

(a) total building floor space occupied by the vaults and vault walls, without deduction for elevators, stairways, aisles, etc., within the vaults;

(b) vault access areas and floor space required for opening vault and doors; and

(c) floor space of areas provided for protective purposes, surrounding the vault walls

4,748 sq.ft.

3. Add items A-1 and A-2 to arrive at the total number of square feet of rentable or usable space in building

115,208 sq.ft.

FORMULA FOR
DISTRIBUTION OF BUILDING MAINTENANCE COSTS TO THE UNITS OF THE
FISCAL AGENCY, CUSTODIANSHIP, AND DEPOSITARY FUNCTION (Cont'd)

B. METHOD OF DETERMINING PER SQUARE FOOT COST OF RENTABLE
OR USABLE BUILDING SPACE

1. To the gross expenses of the "Provision of Space" function for the current period as shown on Form E, i.e., before deductions for "Income from banking house", etc., to obtain the net total provision of space expense	<u>\$136,922</u>
<u>Add -</u>	
a. Depreciation at 2 percent <u>per annum</u> on cost of construction of bank building after deducting charge-offs approved by Federal Reserve Board in order to arrive at replacement cost of building, but not deducting other charge-offs	<u>\$44,563</u>
b. Depreciation on fixed machinery and equipment at 5 percent <u>per annum</u> of original cost. (Do not include the cost of replacements charged to "reserves")	<u>\$39,205</u>
2. The sum of items B-1, B-1-a, and B-1-b represents the total maintenance expense of rentable or usable building space	<u>\$220,690</u>
3. Divide item B-2 by item A-3 to obtain the cost per square foot of maintaining rentable or usable space	<u>\$1.92</u> sq.ft.
(\$220,690 ÷ 115,208 = \$1.92)	

FORMULA FOR
DISTRIBUTION OF BUILDING MAINTENANCE COSTS TO THE UNITS OF THE
FISCAL AGENCY, CUSTODIANSHIP AND DEPOSITARY FUNCTION (cont'd)

C. METHOD OF DETERMINING PER SQUARE FOOT COST OF RENTABLE
OR USABLE BANK SPACE

1. From the total maintenance expense of rentable or usable building space (item B-2) \$220,690.00
- Deduct -
- a. The total cost of maintaining space actually rented to tenants on an office building basis. This cost is obtained by multiplying the number of square feet of floor space actually rented to such tenants (item C-3-a) by the cost per square foot of maintaining rentable or usable building space (Item B-3)
 $(28,490 \times \$1.92 = \$54,700.80)$ \$54,700.80
2. The remainder (item C-1 minus C-1-a) represents the total maintenance charges for rentable or usable space for banking purposes, including "Fiscal Agency, Custodianship, and Depository" activities \$165,989.20
3. From the total number of square feet of rentable or usable space in building (Item A-3) 115,208 sq.ft.
- Deduct -
- a. The total number of square feet of space actually rented to tenants on an office building basis 28,490 sq.ft.
4. The remainder (item C-3 minus C-3-a) represents the total number of square feet of space available for banking and "Fiscal Agency, Custodianship, and Depository" activities 86,718 sq.ft.
- Deduct number of square feet inside building used for-
- a. Security court, garage, loading platforms 1,265 sq.ft.
(within the building)
- b. Purchasing agent's office, telephone switchboard, automatic telephone exchange, and telegraph office 2.187 sq.ft.
- c. Other space properly deductible — sq.ft.
- d. Total deductions 3,452 sq.ft.
5. The remainder (item C-4 minus C-4-d) represents the net number of square feet of space available for banking and "Fiscal Agency, Custodianship, and Depository" activities 83,266 sq.ft.

FORMULA FOR
DISTRIBUTION OF BUILDING MAINTENANCE COSTS TO THE UNITS OF THE
FISCAL AGENCY, CUSTODIANSHIP AND DEPOSITARY FUNCTION (cont'd)

C. METHOD OF DETERMINING PER SQUARE FOOT COST OF RENTABLE
OR USABLE BANK SPACE (cont'd)

6. Divide item C-2 by item C-5 to obtain the cost per square foot of maintaining rentable or usable bank space

\$1.99sq.ft.

$$(\$165,989.20 \div 83,266 = \$1.99)$$

NOTE: The cost per square foot of maintaining rentable or usable bank space (item 6) represents the cost basis for charging the units of the "Fiscal Agency, Custodianship, and Depository" function for office space.

FORMULA FOR
DISTRIBUTION OF BUILDING MAINTENANCE COSTS TO THE UNITS OF THE
FISCAL AGENCY, CUSTODIANSHIP, AND DEPOSITARY FUNCTION (cont'd)

D. METHOD OF DETERMINING PER CUBIC FOOT COST OF USABLE
VAULT SPACE

1. Multiply Item A-2 by item C-6 to obtain the bank building maintenance costs applicable to vaults \$9,448.52
- (4,748 x \$1.99 = \$9,448.52)
- Add -
- a. Depreciation at 2 percent per annum on vault construction and doors after deducting charge-offs approved by Federal Reserve Board to arrive at replacement cost, but not deducting other charge-offs \$3,700.00
- b. The total expense of the "Vault Maintenance" unit of the "General Service" function as shown on Form E \$4,144.90
2. The total of items D-1, D-1-a and D-1-b represents the total maintenance costs of the vault \$17,293.42
3. Measure the available cubic feet of actual storage space inside the vaults which may be used for storage of cash, securities, etc. (Do not include aisles, stairways, elevators, and necessary working space) 4,819 cu.ft.
4. Divide item D-2 by item D-3 to obtain the cost per cubic foot of maintaining vault space \$3.58 cu.ft.
- (\$17,293.42 ÷ 4,819 = \$3.58)

NOTE: The cost per cubic foot of maintaining usable vault space (Item D-4) represents the cost basis for charging the units of the "Fiscal Agency, Custodianship, and Depositary" function for vault space.