

Argus Leader (Sioux Falls, South Dakota)

November 1, 2009 Sunday

Citi CEO: Sioux Falls key in firm's rebound

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SECTION: NEWS; Pg. NaN

LENGTH: 1966 words

Citigroup's chief executive came to Sioux Falls last week and delivered a reassuring economic message.

Vikram Pandit applauded the skills and productivity of the Citibank South Dakota staff and pledged that the 3,000 workers in Sioux Falls would continue to be key players in the global financial firm's return to fiscal strength.

"We're not planning any major changes here," he said.

It was a welcome endorsement for community leaders and Citibank workers who have watched nervously during the past year as the parent company of one of the city's largest and most prominent employers has battled from the brink of financial collapse.

"We like being here. We like the people we have and that's going to continue," Pandit said.

Still, few economic sectors are more volatile now than finance and banking and despite billions in federal bailout money, the embattled credit card industry is not secure. The situation is especially uneasy for student loan and credit card sectors which make up much of Citigroup's Sioux Falls operation.

"Here's what you have in the card business: a lot of uncertainty," said Bert Ely, an independent banking analyst in Washington D.C.

He said that Citi, specifically, "has a lot of issues and has to do major restructuring as it tries to right-side itself and return to profitability."

Citigroup looks to pare unprofitable ventures

Citigroup got two rounds of capital injections from the government as a result of the Troubled Asset Relief Program, or TARP, for about \$45 billion. The first was \$25 billion last October and the second, another \$20 billion, came a month later. The bank has yet to repay its bailout money.

In 2008, the company lost \$27.7 billion, among the greatest in corporate history, and eliminated 52,000 jobs. The stock that was trading at \$55 in 2007 closed on Friday at \$4.09, which is up from a 52-week low of 97 cents in March.

The strategy now, as articulated by Pandit, is to focus on core businesses, including consumer banking and credit cards, and wind down its money-losing outlying operations.

The taxpayers now are the largest shareholders in Citibank and the company needs to get out from under the restrictions of the bailout, according to Ely.

"They are doing a lot of downsizing and they have put some divisions on the block, but this is not the greatest time to sell stuff," Ely said. "They are moving in that direction, but the improvement doesn't happen over night."

Adding to the uncertainty of new credit card regulations and companies' access to credit, is the way consumers are using credit.

"We are in a period of transition," said Jerry Johnson, the former dean of the Beacom School of Business at the University of South Dakota, who also has served on the Citibank South Dakota board of directors since it arrived and continues to be on its community advisory board. "The payment system in our country is evolving. We've moved from cash to checks to credit cards - where is next? That's what we're trying to get to."

Pandit said because of government regulation and consumer habits, "the rules of getting credit have changed" and that might lead to less credit card activity overall.

Already his company is making moves.

Only two weeks ago, some Citibank credit card customers began receiving notices that their interest rate will raise to 29.99%. The letters inform customers that the rate increase will allow Citibank to continue to provide customers access to credit.

Pandit pointed out that the increase was necessary because an attempt to voluntarily adopt some new standards did not gain traction in the industry. Other companies did not follow their lead, Pandit said, and that meant Citibank had no choice but to raise its rates to remain competitive in advance of the new regulations.

In September, Citibank announced that it would reduce its Las Vegas credit card operation by 75 employees by the end of the year.

"These employees process payments made by check, and our Sioux Falls site has no employees who handle these types of payments," said Janis Tarter, a spokeswoman for Citibank.

What Citigroup brings to Sioux Falls

For Sioux Falls, it is not only 3,000 Citibank jobs at stake, but also the 9,000 to 12,000 jobs in the financial sector in Sioux Falls.

Where Citi goes, so goes the financial sector that has built up around it in Sioux Falls.

"We look at it from a planning perspective as an industry," said Jeffrey Schmitt, assistant director of the city's planning department.

"We look for job growth and job retention," he said. "In the past we looked at farm-based and agricultural industries, now we look at financial and medical industries."

As a citizen of Sioux Falls, Schmitt said, "I think we are all aware we should be watching what's going on with Citibank and other financial institutions."

The steady march of uneasy financial headlines during the past 18 months do not concern Mayor Dave Munson.

"I was involved with the company during some tough times in the mid '80s, and Citi weathered it and came back stronger than ever," said Munson, who is a former executive with the company.

He said that the Sioux Falls operation is highly regarded within the larger organization and he hopes to keep it that way.

When Pandit said the primary drawback of its South Dakota operation is that there are not more people to hire here, the city heard him.

"That's an issue that we're trying to address with some of the infrastructure development in the city," Munson said. "We need to look at all aspects to building the population base here so that when a business wants to expand or move here, we have the people for them to employ."

As the economy in Sioux Falls has grown and developed, Johnson said, it has been the financial industry driving that development.

In 1981 when Sioux Falls, population 78,000, was selected as a Citibank site, the community welcomed the financial giant to the state.

Johnson was part of the group of South Dakotans working to start the Citibank site in Sioux Falls. He said the process was, in a word, exciting. "For those that had a vision of the future, it represented an opportunity."

The state gave the company favorable business terms, and Citibank has paid more than \$700 million in bank franchise taxes to the state. Citi also has topped \$25 million in charitable giving in South Dakota since 1981.

But much of Citibank's attraction to Sioux Falls is the skilled, productive work force here.

"They have always felt that the level of productivity in Sioux Falls is incredible," Johnson said. "What can I say? From the perspective of a business entity, productivity is what it is all about: they can keep their costs down relative to level of output."

Pandit demonstrated his familiarity with the Sioux Falls plant - one of dozens of Citibank locations Citibank has around the world - by saying that one third of the employees at Citibank South Dakota have 15 years or more with the company.

"People who work for us for a long time in Sioux Falls make careers here," he said.

Long-tenured employees drive productivity up, he said, and the high productivity here makes good economic sense for the company.

Benefits attract, retain loyal employees

He pointed out that already the company has created incentives to expand the available qualified work force here, by "enticing working mothers," he said, pointing to a child-care center in the Citibank facility and a policy allowing some employees to work from home.

The child-care center on the Citibank campus opened in 1987 and has grown into a 46,000-square-foot facility for 376 children from six months to 12 years.

Jill Smorawske, a supervisor of sales compliance for credit cards, joined Citibank only two months after her son Caden, now 2, was born.

"Really, it was the day care," she said. "I didn't know what I was going to do with Caden, and this just gave me complete peace of mind."

She says now with her daughter Taryn, 1, also at the facility, she is unmoved by employers outside of Citibank that have reached out to her.

"These are jobs in the pharmaceutical sales industry, where the compensation could be more," she said. "But how important is money when you have stability for your children like this?"

"It is probably one of the top two benefits Citi provides, the other one being the health insurance," said Adrienne McKeown, a communications manager in the training department at Citibank who has been with the company for nine years.

McKeown's children, Maggie, 3, and Ryan, 1, both attend the center, which because of its proximity to the office eases the logistics of her day and gives her a feeling of security.

"If they call and say your child is throwing up you can say, 'I'll be there in two minutes.' "

After rounds of job reductions were announced last year, many parents were concerned about losing more than their jobs.

"When we were going through the job cuts, it was a huge concern," McKeown said. "I think I'm pretty employable and I could get another job, but I kept thinking, 'What's going to happen to the kids?' Their friends, their teachers are here. It is sort of part of your family."

"Someone called the benefits here, 'golden handcuffs,' " McKeown said, explaining that you might think about leaving for another opportunity, but the great perks at Citibank compel employees to stay put.

McKeown said it is a powerful retention tool.

The women said they attended the town hall-style meeting with Pandit this week and enjoyed seeing a personable side of the executive.

They said concerns about job losses will come and go, but they felt confident in Citibank's commitment to Sioux Falls.

"It would be a silly decision for them to do anything else," said McKeown. "We work hard here. We are cheap labor."

"We might change job functions," Smorawske said, "but I can't imagine Citibank not being here."

Reach reporter Anna Bahney at 331-2326.

Citibank employees in Sioux Falls

3,000 people in 28 divisions
2,000 people working in credit cards
600 people working in student loans

Citibank timeline

Early Days

March 1980

South Dakota Gov. William Janklow signs a bill clearing the way for Citibank to move its entire credit card operation to Sioux Falls.

March 1980

Citibank says it will shift its credit card operations to Sioux Falls to avoid New York's interest rate limit.

May 1980

South Dakota's law eliminating all usury ceilings goes into effect.

February 1981

Citibank opens its doors in Sioux Falls, with 300 positions to fill.

July 1981

Ribbon-cutting on the credit card processing operation set to handle \$2 billion of business on 5.8 million accounts.

Up and Running

1982

Citibank's second building is dedicated. The company occupies 240,000 square feet of what was a cornfield only a couple of years before.

1983

The number of employees rises to 1,000. Except for a handful that were transferred from its former office in New York, all were locally hired.

1984

With 1,200 employees, Citibank is the second-largest employer in Sioux Falls and the third-largest in the state. Construction is completed on the building three for a total of 370,000 square feet.

1985

Number of employees is now is at 2,000 people.

1987

Day care is first offered for the children of Citibank employees.

1989

Number of employees grows to 2,500.

1992

The parent company becomes the largest bank in the U.S. with branches in 90 countries.

1993

Citibank becomes the largest credit card and charge card issuer and servicer in the world.

1997

Citibank Family Center opens. The 46,000-square-foot complex is the nation's largest employer-sponsored day care center.

1998

Citibank says Student Loan Corp. will move to Sioux Falls, and, separately, the Citi and Travelers Group merge is completed.

2003

Citibank acquires the Home Depot and Sears credit card portfolios.

2008

Citibank announces it will eliminate 53,000 jobs in the first half of 2009. The Sioux Falls operation cuts 120 jobs.