



# UNITED STATES MINT

## Report to Congress on Operations

From October 1 through December 31, 2008  
First Quarter Fiscal Year 2009



*Martin Van Buren*  
*\$1 Coin*

**First Quarter Fiscal Year (FY) 2009 Financials:** FY 2009 first quarter total revenue increased 29 percent from the same quarter last year. Circulating revenue decreased by 13 percent, and numismatic revenue decreased by 36 percent, while bullion revenue increased by 279 percent compared to first quarter FY 2008 revenues.

**Presidential \$1 Coin Act:** The eighth coin in the Presidential \$1 Coin Program honors President Martin Van Buren and was released to the general public on November 13, 2008. Shipments of the Martin Van Buren \$1 Coin to the Federal Reserve Bank totaled 90.5 million coins at the close of the first quarter of FY 2009.



*Hawaii*  
*Commemorative Quarter-Dollar Coin*

**50 State Quarters® Program:** United States Mint Director Ed Moy joined Governor Linda Lingle to introduce the Hawaii commemorative quarter-dollar coin in a ceremony on November 10, 2008, at Bishop Square in Honolulu. The Hawaii quarter was the fifth state quarter of calendar year 2008, and the 50th and final to be released in the United States Mint's 50 State Quarters Program.

### Contents

I. Summary	1
II. State of the United States Mint	2
III. Status of the Public Enterprise Fund	4
IV. Update on Activities	5

# **State of the United States Mint**

---

## **Vision and Goals of the United States Mint**

The vision of the United States Mint is "to embody the American spirit through the creation of our nation's coins and medals." The United States Mint is committed to minimizing costs, streamlining operations, and ensuring that every product illustrates our American values and history. The United States Mint established the following strategic goals to uphold its vision:

- Establish and reinforce the exclusive brand identity of the United States Mint;
- Create and execute the most effective coin and medal portfolio strategy;
- Achieve greater excellence in coin and medal design;
- Increase operational efficiency while meeting the highest quality standards;
- Develop optimal workforce and workplace culture.

## **Responsibilities of the United States Mint**

The United States Mint's primary responsibilities are the following:

- Enabling commerce by minting and issuing circulating coins in amounts necessary to meet the needs of the United States.
- Striking national medals, including Congressional Gold Medals.
- Manufacturing, marketing and selling proof and uncirculated coins, commemorative coins and medals to the general public. The value of these products, known as numismatic items, generally depends on factors such as mintage, rarity, condition and age.
- Manufacturing, marketing and selling gold, silver and platinum bullion coins through the American Eagle and American Buffalo Bullion Programs. The value of bullion coins generally depends on their weight in specific precious metals. These products are sold by the United States Mint to Authorized Purchasers. The coins are available to the general public through precious metal and coin dealers, brokerage companies and participating banks.
- Safeguarding United States Mint assets and non-United States Mint assets in the bureau's custody, including bullion reserves at the United States Bullion Depository at Fort Knox.

## **Current Business Environment**

### Price of Metals

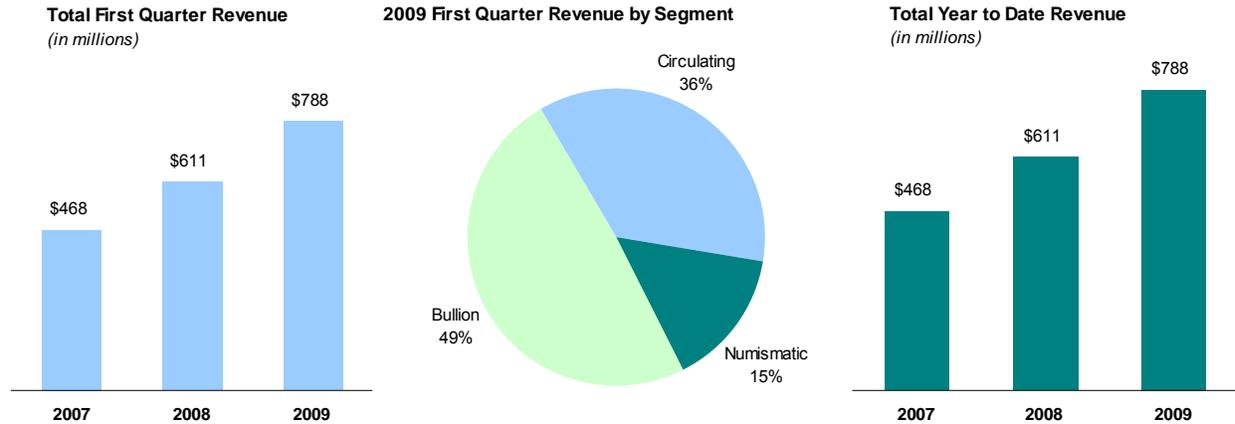
Metal prices declined significantly for copper, nickel, and zinc. Comparing average daily spot prices in the first quarter FY 2009 and first quarter FY 2008, average daily copper, nickel, and zinc prices were down 46 percent, 63 percent and 55 percent respectively. Metal constitutes the largest portion of overall production costs and can substantially reduce the seigniorage derived from circulating operations when metal market prices remain high. Continued emphasis should be placed on exploring less expensive alternative alloys that have the potential to generate significant cost savings and mitigate further reductions in seigniorage should metal prices increase again.

### Circulating Demand

Circulating revenues and shipments for FY 2009 will continue to lag behind the levels of recent years until economic activity shows some sustained growth. Based on our records dating back to 1957 the month of December 2008 registered a negative Net pay for all denominations for the first time indicating that the seasonal flow back of coin to the Federal Reserve that normally starts in mid-January started in December. High coin inventories at the Federal Reserve Bank resulting from this flow back along with the continued deteriorating outlook for the economy will continue to have negative impact on the need for newly minted coins for use in commerce.

## Status of the Public Enterprise Fund

The United States Mint's Public Enterprise Fund is financed by the sale of circulating coins to the Federal Reserve and the sale of numismatic and bullion coins and other products to customers worldwide.



	First Quarter Ended December 31,				Year to Date			
	2009	2008	2007	% Change 2008 to 2009.	2009	2008	2007	% Change 2008 to 2009
<i>(\$ in millions)</i>								
Circulating	\$284	\$327	\$248	(13%)	\$284	\$327	\$248	(13%)
Numismatic	\$117	\$182	\$164	(36%)	\$117	\$182	\$164	(36%)
Bullion	\$387	\$102	\$56	279%	\$387	\$102	\$56	279%
<b>Total Revenues</b>	<b>\$788</b>	<b>\$611</b>	<b>\$468</b>	<b>29%</b>	<b>\$788</b>	<b>\$611</b>	<b>\$468</b>	<b>29%</b>

\*Numismatic figures w/out bullion and include surcharges.

### Circulating

First quarter revenue from circulating operations totaled \$284 million in FY 2009, down 13 percent from FY 2008. Circulating shipments to the Federal Reserve Banks totaled just fewer than 2.0 billion coins in the first quarter of 2009, a five percent decline from the 2.1 billion coins shipped in the first quarter of FY 2008. Circulating coin shipments continued to decline during the first quarter of FY 2009 because of lower demand for newly minted coins from the Federal Reserve System.

Based on the most recent projections from the Federal Reserve, circulating coinage shipments for the second quarter FY 2009 are expected to be around 1.22 billion compared to the 1.92 billion coins shipped during the second quarter of FY 2008. This represents a 37 percent decline in demand. The general decline in demand for circulating coinage experienced during FY 2008 will most likely continue throughout 2009 due to the continued decline of economic activity resulting from broader market forces. Circulating coin inventories held by the Federal Reserve Banks have increased to approximately 95 percent of storage capacity due to continued high levels of coin returns from commercial banks.

### Numismatic

Numismatic revenue for the first quarter of FY 2009 totaled \$117 million, down 36 percent from the same quarter in FY 2008. This decline can be attributed to the number of product releases this quarter compared to the same timeframe in the previous fiscal year as well as the diversion of limited supplies of gold and silver blanks to the bullion program. More than twice as many products were released during first quarter of FY 2008 compared to FY 2009, including some of the most popular and highest selling items, such as the 2007 United States Mint Annual Uncirculated Dollar Coin Set™. The first quarter of FY 2009 also saw an 18 percent decline from the fourth quarter of FY 2008, which is also attributable to the difference in product release schedules during the two quarters.

## **Status of the Public Enterprise Fund**

---

### **Bullion**

During the first quarter of FY 2009, the United States Mint continued to experience unprecedented demand for gold and silver bullion coins. Bullion revenues for the first quarter of FY 2009 totaled \$387 million, up 279 percent from the same quarter in FY 2008. The demand continues to exceed our supply of these coins. However, the shortages were not attributable to production capacity. Rather, the number of blanks that the United States Mint has been able to acquire from suppliers has been limited, as the United States Mint is competing in the world market for limited blank fabrication capacity.

#### American Eagle and American Buffalo Bullion Coins

The final weekly inventory allocation for 2008-dated American Eagle Gold One-Ounce and American Eagle Silver One-Ounce Bullion coins was provided to United States Mint Authorized Purchasers, on December 15, 2008. The 2009-dated American Eagle Gold One-Ounce (22-karat) and American Eagle Silver One-Ounce Bullion Coins were available for sale to the Authorized Purchasers through the standard allocation process on December 29, 2008.

Due to the limited blank supply, the United States Mint has delayed the launch of the 2009 American Eagle Gold fractionals, American Buffalo, and American Eagle Platinum bullion coins.

### **Consolidated**

The United States Mint's revenue from first quarter operations totaled \$788 million, up 29 percent from the same period in FY 2008. First quarter revenue continues to exceed last year's levels as increases in bullion sales have offset decreases in both the circulating and numismatic activity.

NOTE: Net circulating revenue (seigniorage) is used as a means of financing the national debt, while numismatic and bullion revenue may be used as current operating revenue. Furthermore, circulating revenue may not be used to offset numismatic losses, nor may numismatic revenue be used to augment seigniorage. Accordingly, consolidated financial reporting should be used for year-to-year comparison purposes only.

## **Update on Activities**

---

### **Presidential \$1 Coin Act**

#### Martin Van Buren \$1 Coin

On November 13, 2008, the Martin Van Buren \$1 Coin was released into general circulation. Shipments of the Martin Van Buren \$1 Coins to the Federal Reserve Bank totaled 90.5 million coins at the close of the first quarter of FY 2009. Shipments of the Andrew Jackson \$1 Coin, released in the fourth quarter of FY 2008, totaled approximately 95.6 million coins. Total shipments of Presidential \$1 Coins have steadily declined since the program began in the second quarter of FY 2007. Shipments of previously issued Presidential \$1 Coins are as follows: George Washington \$1 Coin – 304 million coins, John Adams \$1 Coin – 200 million coins, Thomas Jefferson \$1 Coin – 170 million coins, James Madison \$1 Coin – 142 million coins, James Monroe \$1 Coin – 114 million coins, and John Quincy Adams – 105 million coins.

#### Demand and use of circulating \$1 coins

FY 2009 first quarter net pay, the difference between coins distributed by the Federal Reserve Bank to commercial banks, and coins returned from commercial banks, totaled \$52 million for all \$1 Coins, a 25 percent decline from the same quarter in FY 2008. However, first quarter net pay represented a 13 percent increase from the fourth quarter total of \$46 million. Corresponding with the shipment data above, net pay for \$1 Coins has been trending downward steadily since the release of the first Presidential \$1 Coin in the second quarter of FY 2007.

#### Outreach

Through public relations, advertising and an intensive, focused campaign aimed at the interface of retailers with consumers, the United States Mint endeavored to increase \$1 Coin usage in the four pilot cities of Austin, Texas; Charlotte, North Carolina; Grand Rapids, Michigan; and Portland, Oregon. By using well-tested, new messaging -- \$1 Coins last for decades, are 100% recyclable and save the Nation money – the United States Mint's four-city pilot sought to go beyond making the public merely aware of \$1 Coins to helping them become familiar and comfortable with their use in everyday transactions.

The United States Mint's Presidential \$1 Coin four-city pilot program activities concluded in late November and the results of the program are being tabulated and analyzed to determine if a national roll-out in 2009 is advisable.

On December 22, 2008 the Washington Metropolitan Area Transit Authority (WMATA) and the United States Mint jointly launched the dissemination of \$1 Coins in the Metro system with a press event at Metro Center and advertising throughout the system.

The first quarter saw robust sales of \$1 Coins from the web-based Circulating \$1 Coin Direct Ship Program. Net sales for the period were approximately 5.5 million \$1 Coins.

### **50 State Quarters<sup>®</sup> Program and Other Coin Events**

#### Hawaii Quarter

United States Mint Director Ed Moy joined Governor Linda Lingle to introduce the Hawaii commemorative quarter-dollar coin in a ceremony on November 10, 2008, at Bishop Square in Honolulu. The Hawaii quarter was the fifth state quarter of calendar year 2008, and the 50th and final to be released in the United States Mint's 50 State Quarters Program. An estimated 147 million Americans collect the state quarters. Next year, the United States Mint will embark on the 2009 District of Columbia and U.S. Territories Quarters Program by minting and issuing six newly designed quarters.

## **Update on Activities**

---

### Lincoln Bicentennial One-Cent Coin Program Design Unveiling

United States Mint Deputy Director Andy Brunhart and Co-Chairman Harold Holzer of the Abraham Lincoln Bicentennial Commission unveiled the design of the Abraham Lincoln Bicentennial Silver Dollar at this year's 145<sup>th</sup> anniversary of the Gettysburg Address, in Gettysburg, Pennsylvania on November 19, 2008. The commemorative coin will be available to the public on February 12, 2009, President Lincoln's birthday. Renowned historical documentary director Ken Burns and Lincoln Fellowship of Pennsylvania Vice President Ronald L. Hankey were also in attendance.

### Ultra High Relief Double Eagle Coin Strike

Director Ed Moy held a ceremony at the United States Mint at West Point, New York, on Monday, November 24, 2008, for the historic first strike of the 2009 Ultra High Relief Double Eagle Gold Coin, which will go on sale to the public January 22, 2009. Director Moy struck the first coin, which will be transferred to the Smithsonian's National Museum of American History, and the second, which was added to the United States Mint's heritage assets.

## **Coin and Medal Design**

### 2010 Presidential \$1 Dollar Coin Program Design Process

United States Mint artists developed the obverse designs honoring President Millard Fillmore, Franklin Pierce, James Buchanan and Abraham Lincoln. The candidate designs are scheduled to be presented to the advisory committees in January 2009.

### 2010 Native American \$1 Dollar Coin Program Design Process

The theme for the reverse of the 2010 Native American \$1 Coin, the Great Tree of Peace, was presented to the Citizens Coinage Advisory Committee (CCAC) in November 2008. Subsequently, the artists began development of the candidate reverse designs that will be completed in January 2009.

### 2010 National Parks Quarter Program Design Process

The design process for the program – including the site selection and design criteria, site selection and design selection process – was developed in December 2008 shortly after the program legislation, “America's Beautiful National Parks Quarter Dollar Coin Act of 2008,” was passed. The legislation was signed in to law on December 23, 2008, and the decision memo for approval of the design process will be sent to the Secretary of the Treasury in January 2009.

### President George W. Bush 2<sup>nd</sup> Term Medal

The designs for the medal honoring the second term of President George W. Bush were approved by the Secretary of the Treasury on December 19, 2008.

### Secretary Henry M. Paulson Medal

The designs for the medal honoring Treasury Secretary Henry M. Paulson were presented to the CCAC and U.S. Commission of Fine Arts (CFA) in November and were approved by the Secretary of the Treasury on December 19, 2008.

### Tony Blair Congressional Gold Medal

The designs for the medal honoring former United Kingdom Prime Minister Tony Blair were presented to the advisory committees in November 2008 and were approved by the Secretary of the Treasury on December 19, 2008.

## **Update on Activities**

---

### Senator Brooke Congressional Gold Medal

Initial designs for the medal honoring former Senator Edward W. Brooke III were sent to Senator Brooke for review in October 2008. The Senator requested that additional designs be developed for the obverse with an alternate source. The second round of designs is scheduled to be sent to Senator Brooke for review in early January 2009.

### Daw Aung San Suu Kyi Congressional Gold Medal

The candidate designs for the medal honoring Daw Aung San Suu Kyi were sent to the liaison for review.

### Director Edmund C. Moy Medal

The candidate designs for the medal honoring the Director of the United State Mint were presented to the advisory committees in November. Director Moy requested additional designs to be developed.

### Other

Other programs are in the initial stages of development such as the 2010 Abraham Lincoln One Cent Redesign Program, the 2010 American Veterans Disabled for Life Commemorative Coin Program, the 2010 Boy Scouts of America Centennial Commemorative Coin Program and the 2010 First Spouses Gold Coin and Medal Program.

## **New Operational Program Updates**

### 2009 Abraham Lincoln Bicentennial One-Cent Program

The Secretary of the Treasury will mint and issue numismatic one-cent coins in 2009 with the exact metallic content as contained in the 1909 coin (95 percent copper, 5 percent tin and zinc). Numismatic coins will be those coins with a proof or uncirculated finish, and will be offered for sale in sets, i.e. proof set, uncirculated set, special one-cent coin sets. These numismatic versions will not be sold separately.

### The District of Columbia and United States Territories Quarter Program

These quarter-dollars, featuring reverse designs honoring the District of Columbia, Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands and Northern Mariana Islands, will be issued for circulation in quantities to meet the needs of the United States—both for commerce and for collectors. In addition, the Secretary has the authority to mint and issue uncirculated and proof coins, as well as a 90 percent silver version of each coin. The United States Mint will produce a special six-coin silver quarter set for this program, as well as include silver versions of these coins in the annual silver proof set (the dime and half-dollar are also in 90 percent), as it did for the 50 State Quarters<sup>®</sup> Program.

### 2009 Ultra High Relief Double Eagle Gold Coin Program

The United States Mint will issue the 2009 Ultra High Relief Double Eagle Gold Coin in January 2009. Using 21st century technology original coin plasters were digitally mapped by the United States Mint. Using the digital design and die-making process, the original design was updated to reflect the year 2009 in Roman numerals (MMIX), to add four stars to represent the current 50 states, and to add the inscription "*In God We Trust*" (which was not on the original). A small border was also added for a more consistent edge. The 2009 coin will be made of 24-karat gold. Sales will begin on January 22, 2009.

## **Update on Activities**

---

### **Legislative Update**

#### Alternative Materials for Circulating Coins

Metal constitutes the largest portion of overall production costs and a dramatic increase in metal prices can have a significant effect on circulating coinage results. Metal prices have declined significantly compared to the first quarter FY2009 and first quarter FY2008. Copper is down 46 percent, nickel 63 percent, and zinc 55 percent. In any environment changing the composition of all circulating coins to less expensive materials could save the United States Treasury millions of dollars a year without compromising the utility of these coins. Accordingly, the United States Mint plans to work with the Department of the Treasury and the Congress to examine alternatives to mitigate the effect rising metal prices can have on circulating coinage.

#### New National Medal Program Enacted Into Law

On October 14, 2008 the “Stephanie Tubbs Jones Gift of Life Medal Act of 2008” was signed into law (P.L. 110-413). The United States Mint will mint three inch bronze medals for the Department of Health and Human Services that will purchase and award these medals to qualified organ donors or their families in recognition of their contribution to their fellow man.

#### Legislation Approved to Authorize Commemorative Coins for 2011 and 2014

On December 1, 2008 the bill H.R. 5714 the “United States Army Commemorative Coin Act of 2008 was signed into law (P.L. 110-450). This commemorative coin program is authorized for the year 2011.

On December 21, 2008 the bill H.R. 2040 the “Civil Rights Act of 1964 Commemorative Coin Act was signed into law (P.L. 110-451). This commemorative coin program is authorized for the year 2014.

#### Legislation Approved to Establish a National Parks Quarter Program Beginning in 2010

On December 23, 2008 the bill H. R. 6184 “America’s Beautiful National Parks Quarter Dollar Act of 2008” was signed into law (P.L. 110-456). Beginning in 2010 five quarters per year will be issued emblematic of one national park or national site for each state, the district of Columbia and U.S. territories.