

## MEETING OF MUNICIPAL EXECUTIVES. — (Continued).

Proposed by Treasurer Marier, Drummondville; Seconded by Ald. Prieur, Pointe-aux-Trembles.

**RESOLVED:**—That this meeting, formed of municipalities of the Province of Quebec, humbly ask that the Government should add a clause to the Municipal Act compelling every municipality to ask for tenders for all bond issues by advertising in the Official Gazette.

**Ald. Prieur** proposed that the certificate of the Lieutenant-Governor be attached to every bond, so that it would be unnecessary for the purchaser to consult his legal adviser in order to find out if the bonds were valid, and so that the validity could not be contested for any reason whatever. This, he said, had been asked by the Union of Canadian Municipalities.

**Mr. Morin** said that this either meant that the Government guaranteed the bonds, or it meant nothing at all. In case of the insolvency of a municipality the Government would not take any action. But if a bond does not carry the endorsement of the Minister of Municipal Affairs, this does not make it invalid. This is only settled on its being contested.

The Chairman observed that in France the Government took this precaution, so as to warn the purchaser that it did not guarantee the bond.

### Sinking Funds.

After Mr. Morin read the Clause referring to the deposit of the Sinking Funds with the Government, which will allow three and one-half per cent interest, and charge expenses, there were many objections, delegates complaining that the interest was far too small, which would be a source of expense to the municipalities, and that they could obtain better interest by investing the Funds in other places, or even purchasing their own bonds.

**Mayor Versailles**, Montreal East, while admitting there was need of compelling the keeping up of the Sinking Funds, said that if the Government wished to do the Municipalities a favor, it should at least allow them a rate of five per cent, for some of them were now receiving five and one-half per cent from trust companies.

**Mr. Mercier**, Drummondville, said that this clause placed the municipalities in the position of minors, who could not act for themselves. The Government could invest their money where it pleased, but they could not handle it themselves.

**Mr. Morin** defended the clause, and explained that in many cases, the Sinking Funds were far below what they ought to be, as the Councils appeared not to realize the necessity of voting the necessary money every year for maintaining the Funds at their proper level. He pointed out that when some bonds fell due, the municipality would have to make a fresh loan, and pay any interest that might be asked, in order to retire the bonds at maturity.

There was a general feeling that the Government, if it compelled the municipalities to place this Sinking Fund money with itself, should increase the interest to something like current rates. Finally a resolution was moved as follows:

Proposed by Secretary-Treasurer Sampson, Outremont; Seconded by Treasurer Marier, Drummondville.

**RESOLVED:**—That Whereas under Section XXIVa, of the Revised Statutes as amended in Chapter 28, all municipalities making new loans are compelled to create and plates their sinking funds with the Provincial Treasurer for which they obtain interest at the rate of three and one-half per cent per annum, less cost of administration, and that any exception to this obligation can be granted only on the advice of the Minister of Municipal Affairs;

And whereas in the event of the Minister arbitrarily refusing to authorize municipalities to deposit their sinking funds elsewhere than with the Provincial Treasurer, great hardship will be caused to many municipalities;

And whereas the said interest of three and one-half per cent. per annum is too low, thereby imposing an excessive burden on borrowing municipalities;

Now therefore be it resolved that this meeting of municipal executives of the Province of Quebec, hereby approves in general, the Municipal Legislation enacted at the last session of the Legislature, but desires to record as most strongly of the opinion that the municipalities themselves shall have the liberty to invest their sinking funds in such securities as the Municipal Department itself is permitted to invest.

Carried.

**Mr. F. W. Tofield** (Manager of the Quebec Savings and Trust Co.) was then introduced to the meeting. "It is a great pleasure for me to be here this evening as I take a deep interest and have made a special study of Sinking Fund administration, and I am convinced that if the Proposed Municipal Union of the Province of Quebec is properly organized along conservative lines that it will be a great help to the new Municipal Department which has been recently formed in Quebec.

I heartily congratulate the Government on forming this new department as it is a step absolutely in the right direction, and will in time bear bountiful results.

I also congratulate the Government on exacting statements from each Municipality, as it is essential to have uniformity in the supervision of Municipal finances through the Province.

I am also greatly in favor of the new law controlling maturities of loans as maturities have been greatly abused in the past, but according to the new enactment permanent work will be allowed a much longer term than work of a less lasting nature.

The management of Sinking Funds is the only feature which I cannot completely endorse, as I feel that the Municipalities should derive all the benefit from the interest accruing on their Sinking Funds. At the same time I feel that the Government is allowing only 3½ per cent., which is a shade better interest than the Bank allows, in order to bring delinquent Municipalities into line, and if a Municipality will not take care of its Sinking Fund jointly with a Trustee it will be forced to turn to the Government and receive 3½ per cent per annum.

I have interviewed many Councils and am not exaggerating when I make the statement that Sinking Funds in the past have been set aside by good Municipal Governments only to be used for other purposes by succeeding Municipal Councils, and I am satisfied that with an outside organization aiding the Municipality in the joint Trusteeship of such fund this could never occur. The new Legislation in time will straighten out the Sinking Fund difficulties in this Province, but hardly in our lifetime. The suggestions that I will propose this evening would adjust the Sinking Funds immediately and put Municipalities in this Province on a sound financial footing. Nearly all, by-laws with regard to loans in the different Municipalities in this Province carry at least a 1 per cent. Sinking Fund. This is an obligation and should be adhered to by every Municipality.

The fact that your outstanding issues are jointly controlled by a Trust Company will tend to bring you better figures for your new issues. One large issue that was floated not long ago is a good example to illustrate my argument. The bond houses selling the issue stated that there were three outstanding points in the issue; one being that the Sinking Fund was jointly controlled by a Trust Company.

The Government as you are aware is allowing 3½ per cent annually on all monies deposited for Sinking Fund purposes with the Finance Minister, whereas securities in which trust funds can legally be invested are yielding today as high as 6½ per cent. We feel, therefore, that due to existing conditions it is quite reasonable to calculate Sinking Funds on a basis of 5½ per cent. This adjustment may change in time, but not for many years after the war.

Take for example an issue of \$100,000.00 maturing in thirty years. If this Sinking Fund is deposited with the Government you will have to deposit annually \$1,937.00. This will retire the issue in thirty years. At 5½ per cent you would only have to deposit \$1,380.00. In other words, \$1,937.00 at 5½ per cent would retire in thirty years \$140,000.00—\$40,000 more than would be retired on the 3½ per cent. basis.

This is, of course, the reason why I feel that the Municipality should have the benefit of its own interest, and Mr. Morin has stated publicly that the Government is not going to exact that money should be deposited with it provided it is satisfied the Sinking Fund is being properly administered.

**Mr. Morin:** "I was not as positive as that. I said I had confidence this would be the case, but, of course, I cannot say definitely."

**Mr. Tofield:** "That was my view when I came to the meeting, and I am pleased that Mr. Morin agrees with me and concurs with my idea. The new Legislation will right the situation in the Province of Quebec, not in our lifetime, but in our children's children's lifetime. This new Legislation does not affect the outstanding issues, and if