

RESTRICTED MUNICIPAL BORROWING

Saskatchewan Local Government Board Has Acted as Investigator, Adviser and Broker for Municipalities

During the past season the Saskatchewan local government board has dealt with a great many applications from local public bodies for authority to borrow by bond, the greatest number coming from rural school districts and rural telephone companies.

The board feels that the present is not an opportune time to increase bond debts, and has followed the principle of restricting borrowing so far as is possible, having due regard for the necessities of the municipalities.

As the population of rural districts continues to spread and increase, the necessity for more schools becomes apparent, and it is absolutely essential that the bond market must be approached for quite large sums for this purpose. A tendency, however, toward unnecessary expenditure on this account has been observed. The board fully appreciates the desire on the part of residents in these districts for as good school facilities for their children as can possibly be obtained. But it is important that no more should be spent than is absolutely necessary for the purpose. The saving of even a few hundred dollars in the cost of schools and equipment, when it is considered that the annual levy for repayment of principal and interest on them must be apportioned among a small number of ratepayers, is a matter of importance.

Based on Definite Cost.

From observation of the building of a large number of schools in various parts of the province, the board has been able to form a fairly accurate idea as to the class of building required in a given district, and its approximate cost, and endeavors by advice and otherwise to confine the cost of such buildings to a fair and reasonable figure, commensurate with the needs of the district. This policy has been followed in all cases, and has resulted in the saving of many hundreds of dollars throughout the province.

The expenditures of rural telephone companies are based on actual cost of line construction, which is practically a definite quantity. Their estimates are passed upon by the experienced engineers of the department of telephones, by whom the amount actually required is finally determined, so that a tendency toward over-expenditure does not exist, except, perhaps, in some few instances where extensions are planned on routes which are not justified by circumstances, and these it is the policy of the board to discourage.

Need of Careful Financing.

There are a few rural municipalities which, by reason either of careless handling of their affairs or on account of adverse crop conditions in the past, are in poor financial circumstances, having large amounts of taxes outstanding and heavy floating debts. The formation and operation of rural telephone companies in such districts tends to aggravate the difficulties, by adding to the burden which is already more than can be conveniently carried, and the board, while fully recognizing the advantages to be derived from the rural telephone, feels that in such districts its introduction can well be deferred until the municipality finds itself in a better shape financially. In dealing with applications from companies proposing to operate in such municipalities, this idea has been kept well in view, and in withholding its authorizations in such cases the board feels that it is acting in the interest (1) of the ratepayers, whose taxes would be increased at a time when they could ill afford it; (2) of the company in preventing it from embarking on an enterprise, the success of which under the circumstances is far from being assured; and (3) of the investor, who in purchasing these securities is assured not only that their issue is absolutely justified, but that the taxing power behind them will be productive and result in prompt payment of instalments as they become due.

Restricted Their Expenditures.

Since the outbreak of the war, rural municipalities following the advice of the local government board, have issued very few bonds. Road construction and other works have been restricted as much as possible; and the energies of municipal officials have been centred on the col-

lection of outstanding taxes and otherwise arranging their finances so as to fix their credit on a more attractive basis.

The same remarks apply to village and town municipalities, and the local government board hopes that this policy of marking time and husbanding resources will eventually result in bringing the credit of Saskatchewan municipalities to a high standard, thus facilitating the successful financing of legitimate municipal enterprises at the proper time.

Little new work has been undertaken in the cities, their efforts being chiefly confined to clearing up undertakings commenced when money was easier and interest rates lower.

Were Too Optimistic.

It is useless to ignore the fact that many cities and towns in the west, under the influence of the spirit of excessive optimism which prevailed throughout the country until recently, borrowed more freely than circumstances actually warranted. The results, while not really disastrous are embarrassing, and call for careful conservation of credit, which can only be effected by strict retrenchment and intelligent economy consistent with efficiency. It is pleasing to note that most of the municipalities are facing the situation squarely and with a degree of success which is very gratifying.

The prompt payment of bond coupons as they become due is a necessity. There have been a number of cases of temporary default, but with the excellent crops just harvested, these are now being rapidly cleared up. There is no doubt but that the majority of these defaults were caused by the crop failure in parts of the province in 1914. At the same time it is quite certain that many of them are attributable to poor business methods, and often to unpardonable carelessness. As proof of this, it has been observed that some of the most glaring cases of default have occurred in districts which, owing to favorable circumstances, should be in the best condition financially, while on the other hand districts which had suffered heavily from drought, succeeded by the use of businesslike methods in meeting their bond liabilities with only slight delay.

There have been very few cases of default on the part of rural telephone companies, and these are now being satisfactorily cleared up.

Prices and Sales.

Prices received by local authorities for their bonds have been on the whole satisfactory. A slump occurred immediately after the outbreak of the war, but the market quickly recovered and has since been as favorable from the point of view of the municipality as can be expected.

Town and city bonds have not for some time been regarded with favor except at a high yield to the investor. In fact, these municipalities are compelled to pay higher interest rates than ever before, which is having the effect of keeping them away from the market except when urged by necessity. They may not expect for some time, if ever, to obtain money as cheaply as in the past, yet they feel that rates are now higher than should be paid, and as a result are using every means of keeping away from the necessity of paying them.

Village bonds are not much in demand by investors, but the market has been fairly receptive for rural municipality, rural school and rural telephone bonds at prices which, under the circumstances, are satisfactory.

The Saskatchewan local government board has, when requested by local authorities to do so, taken charge of the sale of their bonds, offering them at intervals by competitive bids. These sales have met with success, the local authorities receiving better prices than they otherwise would have obtained.

Mr. H. V. F. Jones, the new assistant general manager of the Canadian Bank of Commerce, was unable to be present at a banquet given at Folkestone by over seventy officers of the bank, who are on active military service, to celebrate the appointment of Mr. John Aird as general manager and Mr. H. V. F. Jones as assistant general manager of the bank. Among those present were Major Marriott, formerly manager of the Strathcona (Alberta) branch, and Captain Loble, late accountant of the Winnipeg branch, and Mr. Hugh Aird (son of Mr. John Aird), late Captain of Eaton Machine Gun Battery, and now connected with the Royal Naval Flying Corps.