

Local Government Boards in Canada

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I

For many years Great Britain's Local Government Board has controlled the creating of debentures issues by municipal institutions. In Canada municipal administration comes under the jurisdiction of its nine provinces. Hence any local government board which may be brought into existence will have its powers delegated to it by a provincial legislature.

Until a few years ago each municipality in Canada decided for itself, usually by a vote of its electors, or by special statute, whether or not a permanent loan for capital expenditure should be made. Central authority over borrowings of the kind was seldom exercised. In the province of Ontario, however, the railway and municipal board has for some time held a right to exercise a limited supervision over the creating of a permanent debt on the part of a municipal institution. In December, 1913, the Province of Saskatchewan, at a session of the legislature which closed that month, made provision for the establishment of a local government board. The Province of Alberta in less than two years afterwards organized a public utilities commission which is much the same as Saskatchewan's local government board in so far as its relationship to local authorities is concerned. The provinces of Quebec and British Columbia soon after assumed, to a degree, like control of municipal borrowings.

As already intimated, where a local government board, or a body vested with similar powers, has been brought into being, it is not under federal control. Where such scrutinizing bodies exist throughout Canada there are points of dissimilarity.

This provincial central supervision is approved generally by the people of the various provinces in which these bodies exist as a safeguard against local aspirations and ambitions which sometimes have led too near to the danger point.

II

The remarks which follow refer particularly to the local government board of the Province of Saskatchewan as it is, naturally, the one with which the writer is most familiar. It is, so far, the only body of its kind in Canada using the title "local government board." Its functions are thus more easily understood by those already familiar with the term. It came into existence at the beginning of 1914. It consists of three members selected by the lieutenant-governor in council, and the removal from office of any member thereof is by decision of the legislature. The board is a commission, non-partisan and non-political. Each of its members holds office for ten years. The demand for an organization of the kind largely from the Union of Saskatchewan Municipalities which is an association consisting of representatives of cities, towns and villages of the province. A few urban municipalities, during a period of unusual activity in real estate, had borrowed somewhat excessively notwithstanding the fact that the proposals for such heavy loans were nearly in every case zealously and almost unanimously supported by the council and the electors of the community concerned, they seeing in too rosy a light the future of their respective municipalities. In no case, however, was repudiation of the debt contemplated. No instance of the kind is in the history of Saskatchewan's municipalities. The local power to undertake financial burdens was sometimes used too freely. Hence the desirability of a central body who would investigate and control, in the light of experience gained by other municipalities of the province, any proposal to borrow money by debenture. The additional examination by the board of the reasonableness and feasibility of under-taking a debenture issue gives to the prospective investor an increased feeling of confidence in the issue, for he knows that if approved it will not be the result of a hastily constructed program nor of hopes based on a flimsy foundation. It might here be stated that the law provides that "there shall be associated with the board for advisory purposes a committee consisting of two members to be appointed annually, one by the executive of the provincial organization representing rural municipalities and the other by the executive of the provincial organization representing urban municipalities. The duties of the committee shall be to confer with the board from time to time concerning matters of general interest in relation to the carrying out of the local government board act."

As already stated, the local government board of Saskatchewan approves or rejects all proposals to borrow money by debenture on the part of the 7 cities, 75 towns, 320 villages, 300 rural municipalities, over 4,200 school districts and a large number of rural telephone companies in the province. It will likewise perform similar duties in respect of "hospital districts" which recently came into existence, but none of these have, so far, attempted the issue of debentures. It is conceded that the board, with knowledge secured in dealing with nearly all local authorities, should be in a better position to take a wider view of the municipal and financial situation than any single local authority.

One result of the board's existence is a higher price paid for municipal securities. The intending purchaser, in more than one instance, has asked for a special audit of the books and records of the local authority about to issue debentures, but on learning of the existence of the local government board and its functions, has deemed the examination of the latter sufficient and has purchased the debentures with an added feeling of confidence. It is true that sometimes, when a municipality's elaborate program is curtailed by the local government board, a feeling of disappointment results, but the passing of time shows the wisdom of learning to walk before attempting to run. In its five years of existence any reductions rediced upon by the board have proved to be in the interests of the citizens directly affected. In the case of one large urban municipality in the province, whose program included what the board deemed to be non-essential and inadvisable, particularly at a time when labor and material are possibly at the maximum of cost, some of its officials expressed themselves as believing that the local government board should have control only over rural or junior municipal institutions. This sentiment is, however, not common, nor is there real justification for its existence. It is a fact that the too optimistic outlook of urban or senior municipalities was a cause for the existence of the local government board, for had our province consisted only of rural municipalities and villages, it is not likely that it would have been established. To those who have seen the urban center develop rapidly, it is apparent that a cooling or deterring influence is often desirable.

III

Among other duties assigned to it, the local government board hears and adjudicates upon appeals from the local courts of revision in respect of assessment valuations. Its services in this regard were called upon oftener while values were falling, but as they have now reached a more settled level, the local government board had not many appeals of the kind to hear during the current year.

Saskatchewan's law guards carefully the sinking fund of any local authority or municipality. Villages, rural municipalities, rural telephone companies, rural school districts and hospital districts are not empowered to borrow under the sinking fund plan. In respect of cities and towns the provincial statutes state:

No part of the moneys at the credit of the sinking fund account shall be invested in any securities, whether by the council itself or by sinking fund trustees, without the previous approval of the local government board to such investment.

The serious duty of keeping the sinking fund intact and free from danger of any kind is rigidly observed by the local government board. Any proposed investment thereof receives particular vigilance.

Another duty of the local government board is the administration of the Sale of Shares Act. Before any municipality, it must first secure authority for such action from the local government board, which makes a close investigation into the strength and standing of the company. In those cases where it is found that the shares will not probably yield a reasonable return to their purchaser, approval of the sale of such shares is withheld. The wild schemes so often rampant where, for instance, mines, imaginary or otherwise, are exploited, need a firm restricting hand. The average person, when approached by a stock salesman, has neither time nor opportunity to examine fully the financial status of the company concerned. Hence the investigation of the standing of the company by the local government board is conceded to be a genuine protection for the public.—National Municipal Review.