

## Municipal Finance

JAMES MURRAY.

### FINANCIAL REPORT OF TORONTO.

Commissioner Bradshaw, of Toronto, in his first annual report gives an index to his capacity as a controller of a city's finances. The value of the report lies largely in the simple form in which Mr. Bradshaw gives his analysis of the funded debt; the sinking fund and its porportion to each separate debt; debt limitation of the city; local improvement taxes, etc. We do not know the circulation, but such a report sent to each ratepayer would do more than anything else to ensure the interest and appreciation of the people in the doings of the local authorities.

The following is a statement of Toronto's funded debt, sinking fund, etc.:

Funded debt, as at 31st December, 1916:—Gross funded debt, \$97,730,920.83; deduct (1) specially rated and revenue producing debts as follows: Waterworks, \$14,495,946.74; ratepayers' share local improvements, \$14,057; civic hydro-electric system, \$7,898,000; civic abattoir, 0415,608; exhibition buildings, \$1,230,075; civic street railway, \$2,082,737; Toronto Street Railway pavements, \$4,465,010.26. Also (2) sinking fund of \$23,062,347.20 on gross funded debt, less sinking fund of \$9,314,942.48 on foregoing specially rated and revenue producing debts, \$13,747,404.72—\$58,391,895.72; net debt \$39,339,025.11. Assessment, etc.:—Assessed value of rateable property, \$588,348,777; exemptions not included in foregoing, \$85,288,148; revenue from taxation for 1917, \$14,707,573; revenue other than taxation for 1917, \$4,322,175; population, 1916, \$460,526; area of city, 25,330 acres; tax rate for 1917 (including schools, 6-7-10 mills, 25½ mills.

### ADMINISTRATION OF SINKING FUNDS.

Commissioner Bradshaw, in his annual report, deals with sinking funds as follows:

The sinking fund is essentially a trust fund for the benefit of debenture holders and taxpayers. It is built up year by year, from taxes, and with interest accumulations is calculated to be sufficient to pay the principal of the various debts as they mature. It stands as a guarantee to the purchaser of the city's debentures that provision is being made for their prompt payment, and as an assurance to the taxpayer, that systematic provision is being made for the liquidation of the municipality's indebtedness. Purchasers of our debentures, as well as taxpayers, are entitled to know that the fund is being utilized solely for the purpose for which it was constituted, that it is being fully maintained and that it is being efficiently administered.

### Fund as a Convenience.

In the past, some municipal sinking funds have been utilized more or less as a convenience to meet varying financial necessities. The municipality's debentures have been sold to the fund, and resold by it not because the sale was in the interest of the fund, but because it was convenient for the municipality for the time being that such sales should take place. No doubt these transactions arose from a lack of appreciation of the principles already referred to, viz.: that the fund is a trust and that its administration should be governed in accordance with the well recognized principles of trusteeship.

The method of making investments lies at the foundation of the fund's successful administration. In many instances, it has been the practice of the municipality to purchase its own debentures at the uniform price of par, no matter what rate of interest they carried, or what their true market value might be. Debentures issued carrying interest at 3½ per cent., 4 per cent, and 4½ per cent., have been publicly marketed at considerably below par, while others bearing the same rate of interest have, at the same time, been bought for the sinking fund at par; the sinking fund thus suffering to the extent of the difference between the artificial par value paid for them and the lower market value at which they should have been bought. The market price of the city's debentures disposed of during the year gave approximately a yield rate equivalent to 5 per cent., and purchases were made of them for the sinking fund on that basis, to the extent of \$6,644,914.58. The aim, unquestionably, should be to purchase investments, no matter whether they are the municipality's own debentures, or those of governments or other municipalities, on the most favorable terms possible, just in the same way that a trustee would do who was charged with the management of an estate.

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Municipalities that are contemplating the issue of Bonds, the investment of Sinking Funds, or any change in financial policy, are cordially invited to avail themselves of our services as specialists in—

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