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F. WILSON-SMITH,
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ARTHUR H. ROWLAND,
Editor.

Office:

406-408 LAKE OF THE WOODS BUILDING,
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MUNICIPAL SINKING FUNDS.

In recent notes on municipal finance, Mr. Thomas Bradshaw devotes considerable attention to the matter of the sinking funds administered by the municipal authorities of Canada. That these funds have not always been so carefully administered as is possible and that taxpayers have been out of pocket and the financial prestige of municipalities has suffered accordingly is well known. Mr. Bradshaw in his weighty contribution to discussion of the subject, emphasizes the necessity of recognition of the sinking fund of a municipality as essentially a trust fund—for the benefit of both the municipality's bondholders and the citizens. Forgetfulness of this important fact is probably more than anything else responsible for lax administration of the sinking fund, and its use as a convenience to meet the varying financial necessities of a municipality. In making sinking fund investments, and also when occasion may arise for the sale of them, the aim should be to secure the most favorable terms possible for the sinking fund in the same way as would a trustee charged with the administration of an estate. An earnest effort should be made by those administering this important trust to realize the highest rate of interest compatible with the absolute security of the investment. As showing the results of lax administration in this matter, Mr. Bradshaw mentions the case of one important sinking fund, where the average rate of interest earned was only 3.65 per cent., and an improvement in the rate of only one per cent. would have brought an annual additional revenue to the municipality of over \$100,000.

The adoption of sound business principles of this kind, and their carrying out in practice together with a complete yearly report of the sinking fund's operations would, in Mr. Bradshaw's opinion, result in a municipality's securities being more highly regarded by investors and financial houses and consequently commanding a higher price. The only way in which local administrators can be uniformly brought to a proper sense of their

responsibilities in this connection is, however, by legislation. Mr. Bradshaw recommends the revision of the Ontario Municipal Act, to provide *inter alia* for the making by the Provincial Municipal Department of rules for the administration of sinking funds; and that there shall be an officer to see that such rules are adhered to and carried out, that the funds are efficiently administered, properly invested and are sufficient to liquidate the debts for which they are being accumulated. There are other provinces than Ontario which might well take this matter in hand. In fact, it would seem highly desirable that the various provincial governments throughout Canada should turn their serious attention to the whole matter of municipal finance with a view to the revision and improvement of the provincial laws in order to further guard against inefficient and extravagant administration. The governments might well take into consultation on this subject the banks and leading financial houses, with a view to availing themselves of the results of their experience. Looking to the future, it is certainly of the utmost importance that sources of financial leakage in municipal affairs should be stopped, and that the financial standing of our municipalities in the sale of their bonds should not be prejudiced by inefficient or undesirable methods of administration.

THE ANGLO-FRENCH LOAN.

(Continued from front page)

appears a most attractive investment, and it will be surprising indeed if United States investors do not hustle to get it. At the same time, the yield of this loan of 5½ per cent. to the investor is not encouraging to prospective Canadian borrowers in the United States market. There is, of course, a considerable difference between raising in the United States an amount like \$500,000,000 and raising a few millions. In the latter case, it is possibly easier for the borrower to make a good bargain in regard to interest rate than in the former. Circumstances alter cases and because the Ontario provincial treasurer was recently successful in securing \$3,000,000 in New York for nine months at a rate equivalent to 4½ per cent., it does not follow that the Dominion Government made a bad bargain in paying 5 per cent. for \$45,000,000. In fact, in the light of the present loan it seems that Mr. White made a particularly good bargain for the Dominion.

The Metropolitan Life has just issued a leaflet entitled "What One Soulless Corporation Does." It is a reprint of an editorial which appeared recently in one of New York's prominent dailies, recounting the beneficent work done by that great life company for the welfare of its employees. Few institutions take such care of their employees as does the Metropolitan Life.