

NEWS OF MUNICIPAL FINANCE

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any war debt, would have been practically eight mills. Clearly, the city's future was being too heavily and unjustifiably mortgaged. Notwithstanding increases in the assessment, the tax required to cover the debt charges (including those on war debt) increased from approximately 5 mills in 1914 to over 7½ mills in 1918. Had there been no curtailment and no increase of assessment, the burden of overhead charges would to-day have been extremely heavy. In addition to the general debt charges of 7½ mills, the special rate for local improvement debts averaged 3 mills on the 1918 assessment, which really means that on the average the taxpayer was called upon to pay 10½ mills for debt charges in 1918. Unless there is an unusual yearly increase in assessment, it will be a very considerable time before the rate for fixed charges on non-self-sustaining works, etc., is appreciably lowered.

"Debentures were sold during 1918 amounting to \$6,898,108, all of which were issued in connection with capital commitments of prior years. Of these, \$6,117,700 had been authorized in 1917, but remained unnegotiated at its close. The remainder, \$775,403, was authorized in 1918 to cover the cost of completed local improvements, the construction of which had been authorized in preceding years. On \$3,966,693 of these debentures, the annual debt charges, \$399,299, are practically all met by general taxation, while on the balance of \$2,926,410, the annual debt charges, \$297,500, are provided either by revenue from the services for which the debts were incurred or by special local improvement assessments.

"Certain of the fixed assets are revenue producing, the services which they represent being wholly or partly self-sustaining. The income from the city's waterworks system not only rendered that great utility self-supporting in 1918, but produced a surplus of \$546,616, which was applied to the reduction of general taxation. For all the charges involved in the investment in the comparatively new and expanding Toronto Hydro-Electric system the city is completely reimbursed by the commissioners from earnings of that well-managed and well-equipped enterprise, which is admirably serving the citizens. The franchise revenue from the Toronto Railway more than met the expenses and charges on account of the pavement of the right-of-way by \$62,039, this surplus also being applied in reduction of taxation.

"Against the substantial funded debt there were reserved sinking and other funds, amounting to \$27,797,470, provided out of revenue, which reduced the liability to \$76,324,730. In addition to the redemption funds, the sinking fund included two other miscellaneous items, viz., sundry minor amounts raised by debenture loans, but ultimately found not to be required to meet the cost of the respective works, and proceeds of sales of certain city assets, amounting together to \$204,400, which sum is also available for the liquidation of the funded debt. The total sinking fund of \$28,073,357 is comprised of city of Toronto bonds, \$25,409,336; Dominion government securities, \$450,487; loan to Toronto Harbor Commissioners, \$975,000; accrued interest on investments, \$483,448; and cash, \$755,086. The actual net interest earnings of the sinking fund amounted to \$1,235,182, being at the average rate of approximately 4.62 per cent."

BANK AND DOMINION NOTES

Commenting upon the increase in circulation shown in the October bank statement, the December Commercial Letter of the Canadian Bank of Commerce says:—

"The bank statement for October showed a very large increase in deposits and current loans, both of which were the result of preparations for the Victory Loan. There was

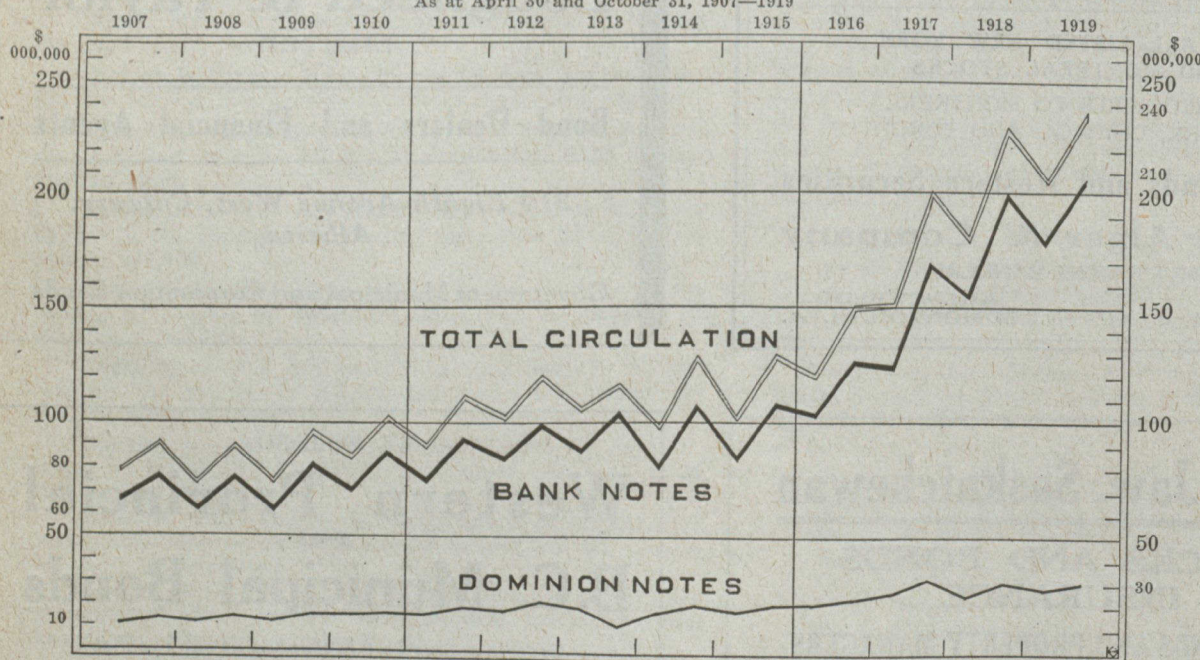
changes in the demand for currency, and the increase in the amount in circulation since the war began are shown in the diagram below:—

"The top line shows the actual amount of paper currency in the pockets of the people at the end of April and October in each year commencing with 1907, the panic year. It

will be noted that early in 1914, when bank-notes were still redeemable in gold, there was a marked decline in the volume of currency owing to the depression in business. Later in the year, bank-notes were made legal tender and a decided expansion took place, only to be followed by a sharp contraction caused by the crop failure that year in the west. As the industrial and military efforts of Canada developed, aided by the bountiful harvests of 1915, government credits on a larger scale

DOMINION NOTES AND BANK NOTES IN THE HANDS OF THE PUBLIC

As at April 30 and October 31, 1907—1919



a notable increase in circulation of \$10,569,482 as compared with the previous month, and of \$8,879,671 as compared with October, 1918. The highest point reached during the month was \$242,509,573. The October increase is seasonal, but it may be observed that the requirements of the public are steadily increasing from year to year. The regular annual

became necessary, with the result that the seasonal contraction that year was not as marked. Since then, in proportion as government credits increased and prices rose, the demand for currency has also risen. In 1907 the circulation was \$10 per capita, and to-day it is fully three times greater, or about \$30 per capita."