

## N. W. Harris & Co.

INCORPORATED

### Municipal Debentures BOUGHT AND SOLD

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having offices in Canada, Great Britain, and the United States is especially equipped to give municipalities expert advice in regard to the purchase and sale of municipal debentures in the principal markets of the world.

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## HANSON BROS.,

164 ST. JAMES STREET,  
MONTREAL

Established 1893

### NOTES ON MUNICIPAL FINANCE.

(Continued from Page 408.)

#### Purchase and Sales Should Be Made on Best Possible Terms.

It might be thought that if the Sinking Fund buys the municipality's own debentures at par, and, when the necessity arises to sell them, disposes of them also at par, the Fund does not materially suffer, in that it receives during the time the debentures are held the rate of interest which the debentures bear. This viewpoint is not only economically unsound, but it must produce gross inconsistencies. Unquestionably, it is the duty of the municipality to obtain in the disposal of its own debentures, whether to the Sinking Fund or to financial houses, the highest possible price; on the other hand, it should be the aim of the Sinking Fund to purchase its investments on the most favorable terms possible. If these viewpoints are ignored, sometimes the municipality will suffer, while, at other times, the Sinking Fund. But it will be found that the Sinking Fund usually has been the greater sufferer, and that the Fund has frequently been employed to take over the municipality's own securities at a much higher price than they were actually worth. This condition has no doubt been aggravated by the fact that the same officers have occupied the illogical and anomalous positions of sellers and buyers, at the same time of the municipality's own debentures.

#### Interest Earned by Sinking Fund.

Having regard to the character of the investments which the moneys of the Sinking Fund may be invested in, and assuming that investments are made strictly in the Fund's interests, it will be realized that a much higher rate of interest than the assumed 3%, 3½% or even 4% should be earned. If trustees were charged with the administration of the Fund they would be exceedingly derelict in the fulfilment of their trust if they were not able to show an earning power of at least 1% greater than the assumed rate. In the case of one important Sinking Fund, the average rate of interest earned was 3.65%. An improvement in this rate of only 1%, which is a conservative suggestion, would produce an annual additional revenue to that municipality of over \$100,000. It should unquestionably be the earnest effort of those administering this important trust to realize the highest rate of interest compatible with the absolute security of the investment.

#### Prompt Investment of Moneys.

Investment of moneys belonging to the Fund should be made promptly and systematically. One of the basic essentials associated with every Sinking Fund is, that the moneys paid into it shall be earning interest at the earliest possible time.

#### Securities Should be in a Safe Depository.

All the securities of the Fund should be kept in a safe and convenient depository. Practically all the securities held will be payable to "Bearer." Where possible, they should be registered in the name of the municipality, but in some instances no provision may have been made for registration. Access to them should be properly safeguarded, in accordance with well recognized rules and regulations.

#### Yearly Report.

A yearly statement of the operations of the Fund should be made, embracing at least (1) a valuation to determine the mathematical efficient sufficiency of the Fund; (2) receipts and disbursements of the year; (3) Profit and Loss Account; (4) a Balance Sheet, including in detail all securities, cash, etc., held in the Fund, and the exact amount

THE

## Canada Bond Corporation

Limited

59 Yonge Street Toronto

—BUYS—

### MUNICIPAL DEBENTURES

AND ACTS AS FINANCIAL AGENTS FOR  
MUNICIPALITIES

CONSULT THEM