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POINTS FOR MUNICIPAL FINANCIERS.

A memorandum lately prepared by Mr. Thomas Bradshaw, Toronto's new Commissioner of Finance, for the Board of Control of that city, is of wide interest to municipal financiers. The circumstances were that a number of money by-laws had recently been passed by Council, but the debentures authorized had not been negotiated. These by-laws provided that the debentures to be issued shall carry interest at the rate of $4\frac{1}{2}$ per cent., that the debt created shall be payable by the City at the end of a fixed term of years, and that a Sinking Fund shall be accumulated from year to year to retire such debt. The Sinking Fund is accumulated on the assumption that 3 per cent. interest shall be earned. Mr. Bradshaw recommended the revision of the by-laws in question and the passing of new by-laws stipulating (a) that the debentures to be issued shall carry interest at the rate of 5 per cent., and (b) that the debt shall be paid in annual instalments during the currency of the debentures.

REASONS FOR THE RECOMMENDATIONS.

The reasons given by Mr. Bradshaw for these recommendations, which were adopted by the Toronto Board of Control, were that (1) a 5 per cent. interest rate is more in accordance with current market conditions than $4\frac{1}{2}$ per cent., and consequently in effecting a sale a minimum discount loss would be sustained; (2) the amount of the Capital Debt created would be substantially less; (3) the annual levy for debt purposes would be much smaller; (4) there would be no necessity to erect and maintain a Sinking Fund; (5) the gross debt would be gradually reduced each year, instead of remaining stationary as it does under debentures issued under the Sinking Fund system. To illustrate his argument, Mr. Bradshaw called attention to a by-law providing for the issue of \$1,166,666 $4\frac{1}{2}$ per cent. 30-year sinking fund debentures for school purposes. If, instead, he said, debentures were issued at a 5 per cent. in-

terest rate, and the principal repayable in thirty annual instalments, (a) the amount of capital debt created would be \$1,096,000 instead of \$1,166,666, or \$73,666 less; (b) the annual levy for interest and sinking fund would be \$71,166.28, instead of \$77,022.15, an annual reduction of \$5,455.87; (c) the saving to the taxpayers throughout the currency of the loan—thirty years—would be no less than \$175,676.10. There was no doubt also, said Mr. Bradshaw, that the city's bonds would command a better price and market if issued under the instalment system than under the sinking fund. It was not to be inferred that he considered it would in every instance be preferable for the city to issue its debentures on the annual instalment system. The question, he said, should be determined according to market conditions, etc., at the time debentures are being negotiated. At present there is no doubt whatever but that it would be preferable in the city's interest, to adopt the instalment principle.

A PUBLIC SERVICE.

In drafting this memorandum, Mr. Bradshaw has not only performed a service to his own City, but to municipal financiers throughout Canada. He calls pointed attention to facts which need to be carefully borne in mind in the handling of City finances. This recommendation also illustrates the great advantages accruing to a city through its employment of and reliance upon expert advice in its financial affairs. As things go, the loans affected by Mr. Bradshaw's memorandum were not large. Yet by following a better course in regard to them than that at first proposed, a substantial saving will be effected as well as other advantages secured. There is no reason to doubt that other municipalities can go and do likewise if they will follow the advice of those most competent to advise them on financial methods.

GOVERNMENT RURAL CREDITS IN BRITISH COLUMBIA.

The British Columbia Government is inaugurating a rural credit system and has borrowed a million dollars for the purpose of operating under legislation already in effect. The money secured by the Government cost about 5-8 per cent. and it is apparently planned to lend this at a rate covering cost plus expenses which are estimated as one per cent. It is thought that the allowance for expenses is too low, particularly as the British Columbia legislation allows loans upon the security of stock and chattels as well as upon land. In this connection it is noted that the experience of the loan companies has been that the expenses of transacting business in British Columbia are unusually high, and on that account, a number of them have kept clear of the field. In view of the prolonged discussion which has taken place on this question, particularly in the West, it will be interesting to see what results are actually achieved by a Government experiment.