

MUNICIPAL DEBENTURES BOUGHT

MUNICIPALITIES WILL PROFIT
BY COMMUNICATING WITH US
WHEN CONTEMPLATING THE
- ISSUE OF DEBENTURES -

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MUNICIPAL DEBENTURES.

(Continued from page 284.)

and the flow of immigration has brought into existence a large number of new towns so that the growth of Municipal debenture issues have been noticeable during recent years, as the following table form shows:

1906	9,087,008
1907	14,430,540
1908	46,461,021
1909	36,278,528
1910	35,748,690
1911	47,158,288
1912	48,414,962
1913	115,761,925
1914	84,388,431

In early years when the volume of Municipal debentures was comparatively small, only the largest cities sold their issues in the London market, now, however, a great many municipalities place their securities in that market:—

In 1912, out of \$48,000,000, Great Britain purchased 63½ per cent; Canada 28½ per cent; United States 8 per cent.

In 1913, out of \$115,000,000, Great Britain purchased 58½ per cent; Canada 22½ per cent; United States 19 per cent.

In 1914, out of \$84,000,000, Great Britain purchased 40 per cent; Canada 30 per cent; United States 30 per cent.

On account of the war the Bond Market of Great Britain was practically closed for the last five months of 1914.

There is another feature of Municipal financing that has of late been resorted to, that is Short Treasury Bills, the disposal of which are mostly made on the London market—this form of financing or raising of temporary loans relieved the general financial situation and did not put the large municipalities under the necessity of leaning on the local banks for their requirements—it is estimated that each year the municipalities have outstanding on the aggregate \$25 to \$30,000,000, which has to be met later by the issue of permanent securities. This way of financing is often resorted to, when the Bond market is dull and the prices of debentures is low. As an example of this temporary financing the issue \$1,200,000, one year notes by the municipality of Point Grey a suburb of Vancouver, may be cited. They were offered to the public in Canada at 99½ and accrued interest yielding 5½ per cent included in this municipality general debenture debt of \$3,399,000 were \$1,350,000, or long term bonds which the municipality held in its Treasury its issue of short term notes was made to avoid disposing of those Bonds in the unfavorable market for long term securities.

Sinking Funds.

Sinking Fund is the term used to denote the setting apart and accumulation of funds to make provision for discharging indebtedness at some future remote period—the payments into it are generally fixed in amount—such payment with interest accruing thereon, are calculated to provide a certain required amount at a given date.

Dr. Price, of England, was the originator of the Sinking Fund idea and he recommended it to the Elder Pitt as a means of paying off the National Debt of England, so that the idea is not a new one, having been in force for over a century.

There are two methods of estimating the amount that should be set aside each year, one method is to divide the amount of the debt by the number of years that the debenture runs, and put into the fund each year the resulting amount; this is simple enough, but decidedly crude, as no account is taken of the interest on the sums in the fund. The method ties up a large amount of money. The second method allows whatever is put into the fund to accumulate, which means a smaller annual payment than the preceding method.

Some cities and towns have been somewhat lax in the past regarding the proper provision of their Sinking Fund, and the preparation of money by-laws, that they may be indisputable.

In some cities trustees are appointed who receive the Sinking Funds and invest same, providing for debenture on due date; so far as reports go this plan where tried has been successful.

In Ontario the cities may deposit with the Provincial Treasurer who will allow 4 per cent interest and the Statutes provide that any Council may provide in any By-law that the annual amount to be levied on account of Sinking Fund shall be paid by the Treasurer to the Provincial Treasurer.

Mr. H. S. Sprague, formerly with N. W. Harris & Co., Boston, has joined the selling staff of R. C. Matthews and Co., Toronto.