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INVESTMENT OF MUNICIPAL SINKING FUNDS

Edmonton is one of the cities which, unwisely, we think, invests part of its civic sinking funds in loans on mortgages. Eleven applications for loans were considered by the Edmonton sinking fund board during the year ended October 31st, 1912. The loans granted amounted in the aggregate to \$394,000, made up of the following amounts: \$49,000, \$65,000, \$55,000, \$30,000, \$50,000, \$60,000, \$40,000 and \$45,000; total, \$394,000. Altogether \$550,000 from the fund was requested, some requests being refused.

"All the loans bear interest at 6½ per cent. per annum, and in each case are within the prescribed limit of 50 per cent. of the value of the property. They are first mortgages, which have been duly executed and registered. The practice followed by the board is that when a loan has been granted and the proper sworn affidavit of value by the city's land valuator has been made, the sum is advanced from time to time as building progresses on the architect's estimate of 80 per cent. of the value of the work completed; and before final payment is made the following sworn statements are required: (1) The architect as to the value and completion of the building. (2) The owner as to the value and date of completion. (3) The contractor as to the satisfaction of all liens. (4) The city building inspector in confirmation of the final value of the building.

In making their latest report, however, it is significant that the members of the sinking fund board say:

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"To complete the board's obligations under the above mentioned loans will absorb a considerable portion of next year's sinking funds, and the board are of opinion that before granting further loans on mortgage it is desirable to put a portion of next year's funds into first-class securities."

The practice of certain municipalities in investing portions of their sinking funds in first mortgages has increased of late. It is a matter which requires careful consideration, the safety of municipal sinking funds being of prime importance. Cities and towns should not risk their credit by any questionable methods in connection with these funds.

The primary object of a sinking fund is to make definite and certain provision for the maturing bonds of a municipality, and, therefore, the most important qualification of the sinking fund investment is absolute security.

FINANCIAL REFORMS

During the next few years we are likely to see considerable changes in existing financial legislation. In addition to the Bank Act revision, now being undertaken, Mr. White, Minister of Finance, has promised a bill next year regulating the operations of loan and trust companies. Mr. White also stated, while the House was in committee on a certain bill early this month, that the Joint Stock Companies' Act will require revision at a comparatively early date. During the debate on the bill to increase the capitalization of the Richelieu and Ontario Navigation Company, Premier Borden stated that a bill