What One Hundred Citizens Did

In Reforming the Finances of Toronto

By NORMAN PATTERSON

CRITICISM of a city's financial methods is one thing; discovering how to put these methods on a sound, economic basis is another thing. There is much futile and indefinite criticism in every city. People see the waste that goes on. They know that money is being squandered foolishly. They know that nearly every city hall is hampered by a certain amount of incompetence. But knowledge is not always power; these good citizens are as helpless as the newspaper editors, who profess to guard the taxpayers' interests.

Toronto is in the typical condition—or was up to a few months ago. Then a little committee of average citizens set out to find the way to improvement. They hired no brass band. They did not have their pictures put in the papers. They were business men and they adopted business methods. The business method was to search the world for an expert whose training had been "municipal financing and how to do it." These men were accustomed to go to fire insurance brokers for advice on fire insurance; to bankers for advice in money matters; to lawyers for advice in legal questions; to engineers for advice on heating and power questions. And so on. Therefore, they argued that they must find an expert in handling a city's budget, a city's treasury, a city's sinking fund and its general finances.

They started out to look for that man, and they found him. It was easy. The man was well known. President Taft had employed him as chairman of his commission on "Economy and Efficiency" in the departments at Washington. New York had employed him on several occasions. Philadelphia, Chicago, St. Louis and other cities had used his special knowledge in these matters. His name is Dr. Frederick A. Cleveland, and he is a director of the New York Bureau of Municipal Research.

HAVING found the name, they soon found the man. Would he come to Toronto and do the work for them? Why, yes; glad to come to one of the leading Canadian cities. The fees? Only nominal, because the Bureau is endowed for a series of years to the extent of $100,000 a year by some prominent New York civic reformers. When? "Whenever it is convenient for your committee and your city treasury."

Such an easy deal put the committee of Toronto business men in good humour. The reforming of a city didn't seem to be so hard after all. They had, however, to reckon with a lot of Thomases at the city hall, some of them permanent officials and some of them aldermen. The task was undertaken in the same quiet way. The editor and proprietor of each of the six daily papers was seen, explanations made, and approval secured. That was the first step. Then the mayor and board of control were quietly canvassed, and a majority secured. One by one, the aldermen were seen and given the explanation to which they were entitled. The permanent officials were also treated fairly in like manner. Then, when all was ready, a deputation, headed by Sir Edmund Osler, called on the council as a body and the consent was secured with only one dissenting vote in twenty-five.

So far so good. Now, what about the five or six thousand dollars required to pay the expenses of the investigator and his assistants? Easy also. They decided to form a committee of one hundred citizens, each to pay one-hundredth part of the cost. They sent out a letter and did some telephoning and buttonholing and in a few days the amount was guaranteed. Instead of one hundred subscribers to the fund they had one hundred and thirty.

The investigators were sent for, a study was made, conferences were held and now the report is ready. The whole process has been completed in about eight months, which shows that reforming a city is an easy proposition if you have the will and the wealth. Empty, unscientific newspaper criticism is useless. Vain harpings about the kind of people whom the people elect as aldermen has no effect. Idle laments about the failure of democracy in its relation to all forms of government are worse than useless. Reforms must be made in government as they are made in all other branches of business endeavour and business management.

NOW, what did the experts say? Did they find that the city treasurer and the city auditor should be put in jail? Not a bit of it. They criticized methods, not men. They consulted with these officials and got them to approve the suggested changes. They pointed out no defect for which they could not suggest a remedy. At the last, Dr. Cleveland brought his final report up from New York and laid it before the officials and the committee and the public. A big public luncheon was held under the joint auspices of the Survey Committee, the Canadian Club, and the Municipal Improvement Association, and four hundred business men listened to Dr. Cleveland's suggestions. The report was then given to the public through the newspapers.

The greatest change suggested by Dr. Cleveland is the time of year at which the Budget, or estimates for the year's work, should be prepared. According to present practice, the Budget is prepared by the different heads of departments in January, submitted to council in February or March, the tax-rate struck in June, and the first instalment of taxes collected in July. Dr. Cleveland would change all that. He would have the estimates for 1915 prepared in October, 1914, and passed on by the council before the year expires.

This would have two great advantages. If any member of the council opposed the Budget, voted for a lower tax-rate than was necessary in the interests of the city, or was inclined to block progress, the people would have a chance to punish him at the polls on January first. If the mayor and council were not intending to do what the people wanted done, then the municipal elections would be waged on questions of policy rather than on whether "Bill" Smith is a good fellow and ought to be re-elected. The second advantage would be that the new council would get at the year's work in the first month of that year. Now they must wait six months before they make the first appropriations. All the public works carried on during the first half of the year are either last year's work, or unauthorized work. Indeed, it is doubtful if half the civic work is legally done, simply because much must be done in these first six months which has not yet been sanctioned by council. Contracts would begin to be let in January instead of in June. Better prices would be obtained; there would be less rush; and on the whole the results would mean a saving of hundreds of thousands of dollars each year. The first instalment of taxes could be collected in February and much bank interest eliminated.

The suggestion seems simple and self-evident. Yet the City Council of Toronto will find difficulty in making the change. The old ways and methods have become so deeply embedded in the warp and woof of the city hall system that changes are not easy.

MR. CLEVELAND makes another leading suggestion. He would have a balance-sheet struck off, printed and circulated at least once a quarter. He has prepared a typical balance-sheet to show what he means. His idea of a balance-sheet is that it should tell a story to every intelligent citizen. What are the current revenues and how are they being collected? What are the current liabilities and how are they being met? Are the revenues collected up to date? Are the debts being paid or covered up? Is money being spent without authorization? Does the inventory of the city's property show the present value of the city's assets? All such questions can be answered on one sheet of paper and Dr. Cleveland gave the citizens the model which he had prepared and which is now being used by scores of cities in the United States.

Roughly, it runs as follows:

Current Assets—
Cash on Hand.
Amounts due to the City.
Other Current Assets.

Current Liabilities and Reserves—
Amounts Owing, including overdrafts.
Cash Reserves, such as debenture funds.
Current Surplus or Deficiency.

This is the first or current part. It shows at a glance what the city is collecting, what money it has on hand, and whether it has a current surplus or the opposite. In examining the books of Toronto he found that on Dec. 31, 1912, it had uncollected taxes amounting to $1,676,000, some of these going back as far as 1908; it had bank overdrafts of $3,795,000, on which it was paying from 4 1-2 to 6 per cent. interest; and that the deficit for the year was about $575,000. A condition of affairs such as represented by this statement is not creditable to the administration of Toronto in 1912.

The second part of the Balance Sheet deals with capital assets and liabilities.

Capital Assets—
Investments.
Lands, Buildings and Equipment.
Construction Material.
Improvements.
Municipal Enterprises.

Capital Liabilities—
Amounts owing to City.
Funded Debt.
Capital Surplus.

This portion deals with the permanent investment and the permanent debt. Dr. Cleveland found that the books showed Toronto had property worth $44,000,000, but he could not say whether this was right or not, because there had never been an inventory taken. As a city, Toronto is eighty years old, but it never bothered making a list of its lands and buildings or an estimate of their present value. Its books show a surplus of about four millions, but Dr. Cleveland thinks this would be increased several millions if the city were to "take stock."

The third portion of the statement is small, but important:

Sinking Fund Assets—
Cash.
Investment.

Sinking Fund Liabilities—
Reserve.
Surplus.

The fourth part is a "Fund Statement" designed to show the state of the current accounts, the amounts appropriated, the portions expended, the balance left to be expended and so on. Dr. Cleveland found that in 1912, the city spent $983,000 that was not authorized. He also found accounts amounting to $2,245,592, which had been paid, but for which no funding had taken place. In short, he found that the city had spent more than three million dollars without first finding out how the money would be provided. Most of these expenditures were subsequently authorized in 1913. But imagine the weakness of a system which allows officials to spend three million dollars and then go to council and have the expenditures justified a year or two afterwards!

One little incident shows the bright intellects at the Toronto City Hall. The city has sinking funds in cash amounting to $2,157,000. These are deposited in the banks at three per cent. interest. Then the city turns around and borrows $2,157,000 from the banks, borrows back its own money in other words, and pays four and a half per cent. In the language of the baseball writer, "Can you beat it?"

SUCH is the partial story of Toronto's attempt to find out if its administration needs improvement and where. There are separate reports made by other specialists on the Works Department, Fire Department, Property Department, and Assessment Department, besides Dr. Cleveland's report on the Treasury Department. All will be published shortly in one volume, a book of four or five hundred pages. This will give a basis for all the reforms which can be crowded into the city's programme during the next five years. Already the officials have adopted some of the suggestions. Probably one-third will be in vogue before the year closes. The other two-thirds will come more slowly.

Finally, how do these self-appointed citizens propose to see that the reforms are carried out? They are founding a permanent Municipal Research Bureau, which is to be endowed for five years to the extent of $20,000 a year. This Bureau will employ a permanent expert and temporary experts to watch the administration at the City Hall and try to co-operate with the officials in keeping the methods up-to-date. Careless work will be condemned; careful work will be supported and upheld. Public opinion will be moulded and informed by a continuous and regular publication of material. Special surveys of these and other departments will be made from time to time when this seems desirable and necessary.

There are to be no scandals. There are to be no personalities. There is to be only steady, constructive reform. All of which sounds plausible enough, but will no doubt tax the patience and resources of the committee of one hundred and thirty citizens to the utmost. It is to be hoped that the majority of them five years hence will be able to recall with satisfaction Kendall's lines:

"No soul to strong endeavour yoked for ever
Works against the tide in vain."

Waste at Montreal City Hall

(Montreal Star.)

"IT has been pointed out several times that, if experts were appointed to remodel the employment branch of the municipal service, the result would be the cutting down of our three and a half million pay list by probably three-quarters of a million or more. When the Board of Control took over the reins of government, patronage was so rampant that the great majority of the city's clerical staff had secured their positions solely and purely through 'pull' exercised by one-time aldermen. A glance over the pay lists as they now exist shows that scores of names are similar to those of aldermen who, for brief periods, held sway in the past. Almost every department is congested with employees who were never fitted to be clerks, but who draw salaries that no commercial firm would pay for the services they render. A board of municipal experts would find wonderful work to do in an investigation of clerical conditions. . . . Scarcely a day passes but one or more aldermen call on the commissioners and put forth divers reasons why some "free and independent" elector in their ward should be appointed to some fat civic position."