

REGULATING MUNICIPAL ISSUES.

Western Banker Favors Appointment of Provincial Municipal Commissions—By this Means Criticisms would be Checked and Market for Municipal Issues Further Developed.

Mr. Vere C. Brown, superintendent of Central Western branches of the Canadian Bank of Commerce, puts forward in the *Winnipeg Free Press* an interesting proposal for the regulation of the borrowings of urban municipalities in the prairie provinces by the appointment in each province of a municipal commission, charged with the duty of superintending the borrowing of the municipalities, and whose approval it would be necessary to secure for all expenditure for local improvements. After alluding to the British system of superintending the activities of the municipalities, Mr. Brown, in describing his proposal, says:—

FUTURE LARGE REQUIREMENTS.

Now, if such legislation is desirable in Great Britain, in Western Canada it has become almost an absolute necessity. The rapid development of this country during the last few years, with the correspondingly rapid growth of our cities and towns, has resulted in the creation of municipal borrowings in a volume which has latterly aroused unfavorable comment in the securities markets, and the question is continually asked whether we are not going altogether too fast, particularly in Western Canada. The doubt which has been created on this score has greatly aggravated the difficulty of marketing our municipal securities in the present period of monetary stringency.

If, as we all believe, the development of the West in the next decade or so must proceed at even a greater ratio than in the last, then the financial requirements of our urban municipalities must reach even larger figures—figures unknown in connection with municipalities of the same age in any other country; and if our municipal securities are to be marketable at all readily, it is imperative that some action of a pronounced character shall be taken without delay to inspire confidence on the part of foreign investors in the economic soundness of the expenditures on which issues of such securities are based.

COMPETENT PROVINCIAL COMMISSION REQUIRED.

It will not suffice to say, in answer to the attacks which have been made on the credit of our municipalities, that in some respects the attacks are wholly unwarranted, and that in all others the criticisms are far more serious than the facts justify. Such attacks have been made, and however unjust they may be, they are certain to have a prejudicial effect. The situation, therefore, demands that action shall be taken without avoidable delay to bring about conditions under which reasonable grounds for adverse criticism will be wholly removed and the credit of our securities established on the highest possible level. I submit that such conditions would be effectively created through the regulation of municipal expenditures by a competent provincial commission.

I know of no instance of a western municipality having made expenditures on a scale beyond its ability to pay. But, having regard to the extraordinary condition of growth existing in the West, is it likely that this will continue to be the case if we do not find some effective means of laying on a restraining hand?

SOME CRITICISMS.

Mr. Brown proceeds to make some detailed criticisms in regard to the municipalities. He suggests, (1) that there is a marked tendency on the part of most western towns and cities to spread out altogether over too large an area, necessitating an excessive mileage of sidewalks, pavements, water mains and sewers; (2) that determination of the amounts of money which may safely be expended by the smaller municipalities on necessities calls for careful calculation and is now being dealt with as a rule without competent advice; (3) that means are wanted for the guidance of municipalities in the solution of the problem of water supply, (4) that the municipalities, especially the newer ones, are in need of restraint and guidance if unwise expenditures are to be avoided; and (5) that debenture terms need shortening. Proceeding he outlines the duties of the proposed commission as follows:—

DUTIES OF PROPOSED COMMISSION.

(a) To regulate the limits to the boundaries of each municipality, beyond which expenditures for improvements may not be undertaken.

(b) To see that assessments are limited to conservative valuations of property. [In some cases we have high assessments and a low tax rate. A higher tax rate and a lower assessment would remove the ground for a good deal of ill-considered criticism.]

(c) To decide whether any proposed improvements are really warranted and well within the ability of the municipality to pay.

(d) To see that the plans and specifications call for work of an approved character, and that they have been prepared with a reasonable regard to the possible necessities of the future.

(e) To regulate the period of time for which the relative debentures shall be issued.

(f) To regulate the investment of sinking fund moneys.

A BROADER MARKET WANTED.

I desire to emphasize the fact, says Mr. Brown in conclusion, that in offering this suggestion, in the first instance, I was mainly prompted by a consideration of the uncomfortable situation which has been created through the inability of many of our municipalities to find a market for their debentures, and of the serious consequences which must ensue if some steps are not taken to place the credit of our municipalities beyond the possibility of criticism. But even if our issues of municipal securities were marketable without question, the fact would remain that the work of a provincial commission, such as now proposed, would be of incalculable benefit to the whole community.

I do not wish to be misunderstood as offering any reflection whatever on the amplitude of the security afforded by the issues of debentures by western municipalities. That they do not constitute a first-class security the leading financial authorities of Canada unanimously agree. Insufficient regard, however, has been had to the absorptive power of the securities markets. Hereafter municipalities will have to arrange a firm sale of their securities before embarking on capital expenditures, and our chief concern at the moment should be to see that everything possible is done to further the creation of a sufficiently broad market for such securities.