

# WESTERN CANADA'S MUNICIPAL LOANS

## Suggested Organization of Authority to Advise, Investigate and Approve Schemes and Consolidate Municipal Loans for Flotation

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### THIRD ARTICLE

In my previous articles on the subject of municipal loans, I referred to the procedure observed in this and other countries with respect to the authorization of loans and to the suggestions made concerning the possibility of the governments assisting municipal authorities by floating consolidated loans on their behalf.

This time I desire to deal further with the matter of assisting the municipal authorities by the creation of an organization to advise, investigate and approve of schemes and consolidate the municipal loans for flotation.

As already stated, in England and Wales, no municipal authority can borrow money for public works without first obtaining the approval of the Local Government Board. When the scheme is approved and the amount of the loan required is sanctioned by the Local Government Board, then the authority may approach the Public Works Loan Commissioners which is a separate Government department and which "if it deems fit" may advance money at from 3½ to 3¾ per cent. per annum. This money is voted by Parliament in each session out of the Local Loans Fund controlled by the National Debt Commissioners. It is evident that this money is intended for small municipalities, because the assessable value must not exceed a certain sum (\$1,000,000) and the money must be for certain works. These limitations, however, are sometimes relaxed.

#### Question of Assessable Value.

As the assessable value in England and Wales is based upon the rack rent and not on the actual value of the properties, the limit above mentioned would in Canada, consequently be equivalent to about \$12,000,000 or \$15,000,000, but it may be possible that after taking various conditions into consideration the British limit would be equal to about \$20,000,000 in Western Canada.

As the cities in Saskatchewan are the only instances where the assessable value is \$20,000,000 or over, then such limit would apply only to the towns and villages and probably the same condition would obtain in other Western Provinces.

In England and Wales every scheme is investigated locally by an Engineering Inspector before the same is approved and the loan is sanctioned. When the indebtedness of the municipality does not exceed one-half of the borrowing powers, the local enquiry is not insisted upon, otherwise the above procedure must be observed. In Scotland, however, the Local Government Board only investigates by local enquiries those schemes for which loans from the Public Works Loan Commissioners are applied for, and the latter department usually acts on the Local Government Board's recommendation.

I have before me a copy of the 37th annual report of the Public Works Loan Commissioners (1911-12) from which the round figures given below have been extracted. The following are a few of the amounts issued by the Public Works Loan Board by way of loans up to 31st March, 1912:—

OBJECT	ENGLAND	SCOTLAND	TOTAL	OUTSTANDING
Education - - -	\$160,000,000	\$32,000,000	\$192,000,000	\$100,000,000
Electric Light - -	9,000,000	800,000	9,800,000	6,000,000
Housing - - -	23,000,000	1,500,000	24,500,000	6,500,000
Public Health Works	184,000,000	16,000,000	200,000,000	90,000,000
Other Purposes - -	—	—	151,000,000	62,000,000
<b>TOTAL</b> - - -	—	—	<b>\$577,300,000</b>	<b>\$264,500,000</b>

#### Average Interest Rate.

The average rate of interest charged in 1911-12 was slightly over 3½ per cent., although over 15 per cent. of the outstanding balances bear only 2¾ per cent., 27 per cent. at 3¾, 39 per cent. at 3½, and 11 per cent. at 3¾, the rest at intermediate rates and up to 5 per cent. interest.

The foregoing statistics are interesting as showing the magnitude of the financial assistance rendered by the British Government to the Municipal authorities.

During the year 1911-12 about \$12,000,000 were advanced.

While the aggregate amount lent is great the number of authorities actually helped in this manner is not stated. During the 37 years a large number of the loans advanced by the Public Works Loan Board had matured but there are left:

Educational loans from 1,120 authorities  
Electric work from 50 authorities.

Housing loans from 1,150 authorities.

Public Health loans from 1,900 authorities.

As the authorities in England and Wales and Scotland can go where they please for money, the above figures represent only a fraction of the number of authorities requiring loans and the total amount required. Besides, all large authorities must obtain their loans privately.

#### What Western Canada Pays.

At present towns and villages in Western Canada pay from 5½ to 8 per cent. for borrowed money, to which must be added a sum for repayment of the loans in proportion to the number of years they are spread over. It will therefore be seen that the burden of capital charges in the West is from 2 to 4½ per cent. greater than in Great Britain. If an assurance can be given that the schemes have been enquired into by an impartial organization, so much the better for the investors, and if any reduction can be effected in the interest so much the better for the ratepayers.

Having given some statistics and facts relating to how British Government assists small municipalities and having previously shown how investigations by an independent Board into schemes of public works result in the authorities obtaining money on very low terms, it may be useful to outline a proposition by which means similar authorities in Western Canada can be assisted.

#### Personnel of Proposed Board.

In the first place as the personnel of the Board would have to be such as to command the respect and confidence of the public and the investors, it would be desirable to include men who have either been appointed to offices of trust or have been elected by representative societies to positions of honor as an appreciation of their sterling worth and merit, and to add to these, men who by extended experience and training can investigate, report and advise on technical matters, so the proposition is to create and establish a Municipal Board comprising of say:—

The Chief Justice as Chairman,  
The Minister of Municipal Affairs or his Deputy,  
The Minister of Finance or his Deputy,  
The President of the Union of Municipalities,  
The second Delegate of the Union of Municipalities,  
One person experienced in municipal law and administration, who would also act as Secretary,  
One person experienced in municipal finance, who would have charge of the flotation of the loans, and  
One person experienced in municipal engineering, who would hold the local enquiries and generally watch the progress of the works authorized.  
The Deputy Chairman to be elected by the members,  
Clerical assistance and office accommodation to be provided.

The technical members to be paid salaries commensurate with their responsibilities and the advisory members to be paid a fee for attendance and also their expenses.

#### Government Would Guarantee Loans.

By this means the Government which would guarantee the loans and the municipalities which would receive them, would be represented and could work in harmony. By this means also the confidence of the Government, municipalities and the investors would be established and in the trinity of interests there would be satisfaction.

All municipalities or those where the assessable value do not exceed \$20,000,000 should submit to the Municipal Board plans, specifications, estimates and reports of any schemes for which authority to borrow money is applied for.

Where the scheme was satisfactory and the indebtedness (including the amount applied for) did not exceed 10 per cent. of the assessable value, no local enquiry would be held, unless ordered by the Board. In all other cases, local enquiries would be held, at which the municipal officials and others could give their evidence in support or in opposition to the application.

The inspector would report to the Board the result of his investigations and the Board would decide by majority of votes whether the scheme was to be approved, rejected or