

SERIAL OR SINKING FUND PLAN

Something More About Practical Experience in Municipal Finance—The Case of Lethbridge

Editor, *The Monetary Times*:

Sir,—In your remarks in *The Monetary Times* of the 8th inst., you admit that mathematically under equivalent conditions the sinking fund bond and the instalment bond have no advantage over one another. That satisfies my contention. But you raise another "Practical Experience" and proceed to unjustly hammer Lethbridge City Sinking Fund to substantiate your contention. Of the Lethbridge Sinking Fund more anon.

Now about "Practical experience." You must know cities whose Sinking Fund is earning nearly 1 per cent. more than the interest on the face of their bonds. You must also know of cities that have in the past defaulted on instalment bonds, because they were so rigid that in the time of stress they would not bend and consequently broke. You must know that at this present moment many cities are gradually but successfully climbing the hill of financial stress with the absolute assurance that they will make the grade with the sinking fund bond, but would not make it if the inelastic instalment bond was staring them in the face. The sinking fund is in uncollected taxes with such a margin as to make the money as safe as in the bank and earning 6 per cent. at that. Do not overlook this fact, that taxes cannot, in most cases, be collected until two years in arrears. In such a case where is the money for the instalment bond to come from? "Practical experience" that has come to many mayors in the past few years.

"Practical experience" fully demonstrates that with good management one bond has nothing over the other and good management is no more possible and no more difficult with the one than the other.

This is proven by the fact that the sinking fund bond is the one used by all "Local Authorities and Private Corporations" in Great Britain to the almost absolute exclusion of all others and has no less a champion than E. H. Turner, A.C.A., whose work "The Repayment of Local and other Loans" is most heartily recommended to you and your readers for perusal and study; while on the other hand we know that the instalment bond has lately had considerable vogue on the American continent because of the mismanagement, not the poor principle, of the sinking fund bond.

If either kind of bond is in trouble to-day or at disadvantage, the cause must not be looked for in the bond, but in the city management.

I do not think any reasonable and competent man is prepared logically to dispute the foregoing, so that we may drop that part of our subject.

There is still your invidious and odious reference to the city of Lethbridge sinking fund. You tell a half truth which you know is always worse than a lie. Our sinking fund is safely invested and earning more interest than the face of the bonds call for and there is no excuse, absolutely none, for your misreading our audit which is made by an independent firm of chartered accountants with headquarters in Winnipeg.

You should have gone further and got the audit of the sinking fund which would have put you clear on the \$40,000 mortgage loan, the facts about which are as follows:—

"The sinking fund trustees (three private citizens of standing in Lethbridge) had the Y.M.C.A. building and fixtures appraised by an independent master builder who put the value at \$80,000. According to our charter they could lend 50 per cent. of that value on the building; but they went further, they took a mortgage for \$40,000 on the building and fixtures and required personal guarantors of \$1,000 each, up to \$24,000, making a total security of (\$80,000+\$24,000) \$104,000 to cover a \$40,000 loan at 7 per cent."

It is very questionable in my mind, even with all this security, whether I would have taken the mortgage if the decision had been in my hands, not on the question of security but on the general principle that religious institution properties are not desirable investments for sinking fund moneys judged by present-day standards.

I am sorry that I have taken so much of your space, and also sorry that I did not feel at liberty to take more, because a subject of this kind, to be dealt with adequately, cannot be handled properly in this short space.

A copy of the little paper "Bond Value Calculations Simplified" was sent you some time ago by the author. That little paper is not beyond criticism, but it has something in it that bears on this subject.

My stenographer inadvertently gave my title in my last communication as city clerk, which escaped my attention when signing it.

Yours, etc.,

W. D. L. Hardie, Mayor.

Lethbridge, Alta., October 15th, 1915.

[Most of the points raised by Mr. Hardie in the above communication were generally dealt with in Mr. Charles F. Cushman's letter in *The Monetary Times* last week. Editor, *The Monetary Times*.]

BIG REAL ESTATE DEAL

One hundred and ten acres were sold last week just north of Glen Grove on Yonge Street, Toronto, by the Dovercourt Land Company to a syndicate of Ontario investors. The sale was put through by Major W. S. Dinnick, and is partial endorsement of the belief of many that idle funds await good real estate investments. The property is bounded on the south by the south side of the Glen Grove ravine, on the west by Avenue Road, on the north by Lawrence Avenue, and on the east by Yonge Street, facing Lawrence Park.

This land was granted by the Crown in the early part of the last century to Lieutenant Nathaniel Huson, a United Empire Loyalist. Part of it changed hands in 1808 at the rate of \$3.75 per acre. The present sale price is at the rate of almost \$5,000 per acre. The property will be known as Lawrence Park West.

FARMERS' BANK STOCK LIABILITY

Mr. Justice Lennox reserved judgment at Osgoode Hall on Monday in a case regarding the liability of the shareholders of the defunct Farmers' Bank, under the double liability clause of the Bank Act. An appeal was made by Mr. James R. Lindsay, a stockholder, who subscribed for 500 shares, against the report of Referee McAndrew, on the ground that he was not liable under a condition which prevailed previous to the Bank Act. He claimed that the stock was fully subscribed for as required by the statute. He made the claim that there were never any shares in the bank legally, and took issue with granting of the charter certificate. Mr. Lindsay was represented by Wallace Nesbitt, K.C., and William Laidlaw, K.C., while James Bain, K.C., appeared on behalf of the bank.

RAILROAD EARNINGS

The following are the railroad earnings for the first two weeks of October:—

Canadian Pacific Railway.

	1915.	1914.	Increase.
October 7	\$2,915,000	\$2,273,000	+ \$642,000
October 14	2,988,000	226,000	+ 762,000

Grand Trunk Railway.

October 7	\$1,019,826	\$1,008,265	+ 11,561
October 14	1,067,819	1,012,328	+ 55,491

Canadian Northern Railway.

October 7	\$ 847,500	\$ 718,400	+ 129,100
October 14	767,800	653,900	+ 113,900

Ratepayers of Assiniboia, Man., defeated a by-law to expend \$27,000 on an incinerator.

The following companies have increased the number of their directors: The Export Association of Canada, Limited, from five to 15; and the Automatic Telephone Manufacturing Company of Canada, Limited, from five to seven.