

B.C. Municipalities Want to Invest Their Sinking Funds

In the Parliamentary Agent's report to the B. C. Union, which was mailed to each of the municipalities of British Columbia, appears the following interesting item:

12. The Union of British Columbia Municipalities recommend the Government to issue a 4½ per cent issue of Provincial Stock with dates of repayment suitable, so that the municipalities may have an issue in which they can invest their sinking funds. This to be optional with each municipality.

This was not granted. The reason assigned for not granting it was that, while the scheme appeared to the Government to be a good one, that this present year was not the year to create any innovation in connection with the sinking fund, but on the contrary that the matter should stand over for a year. The Government is not at all satisfied that the municipalities would take advantage of such a sinking fund to any appreciable extent, and they desire to have the municipalities take the matter up, discuss it among themselves, and to receive the report of what action was taken upon it at the next convention. I append hereto, as part of my report, a copy of a letter which I wrote to the Honorable the Attorney-General, which give the argument in favor of the scheme as adopted by the Union. (Letter follows report).

December 28, 1914.

The Honourable W. J. Bowser, K.C.,
Attorney-General, Victoria, B.C.

Sir,—I have a letter from the Secretary of the Union of British Columbia Municipalities in which he says that you have made arrangements with Mayor Gray not to meet the Executive of the Union until after the next municipal election, which would be just prior to the meeting of the House. There is one matter, however, which has to be taken up with you by the Executive, which seems to me should be brought to your attention at once in order that if anything is to be done in this Session the legislation might be got ready without that hurry which is always involved in working against time.

The Union of British Columbia Municipalities at their last convention at Kamloops passed the following resolutions: "Resolved, that the Union of British Columbia Municipalities recommend the Government to issue a 4½ per cent issue of Provincial Stock with dates of repayment suitable, so that the municipalities can have an issue in which they can invest their sinking funds. This to be optional with each municipality."

At the present time the sinking funds of the municipalities can only be invested in Dominion or Provincial Government securities or by deposit in an incorporated bank, or in municipal debentures to be guaranteed by the Government, according to the Municipal Act. There are none of the latter. There are no facilities this side of London, England, for the purchase of Dominion Government stock and until this year there was no Provincial Government securities available on this side of London, and while the matter might possibly be worked out under Chapter 48 of this year's Statutes, it seems there is not enough money available under that Act for the purposes needed. As a matter of fact the municipalities have been and are driven in practice to depositing their moneys in a chartered bank, as the only place available.

Now, the Act says that the sinking fund may be estimated at any rate not exceeding four per cent. As a matter of fact, outside of the City of Victoria, no municipality has been able so far to get a better rate than three per cent. Up until this last year the rural municipalities invested in mortgages that brought them in six and seven, and sometimes eight, per cent, and consequently did not feel the strain of the sinking fund as they have been feeling it since. This they are now prohibited from doing under the Act. The matter of the difference between three and four per cent on the last Saanich loan, for instance, amounts in the lifetime of the loan to \$35,862.50 more taxation to be raised to repay that loan than would have to be raised if they got four per cent for their money. I have taken that as a sample because it is a large loan, at the same time, an average one in length. It is \$450,000 twenty-five years, and the difference in the sinking fund is \$3.41 per thousand per

annum. Now, if you multiply this one small loan by all the loans in the Province, which represent practically all the moneys borrowed by the municipalities in the Province for the last five years, you will see at a glance that the saving in taxation to the people of the Province, when spread over the Province, is going to be something enormous.

The Inspector of Municipalities informs me that the aggregate indebtedness of the municipalities of the Province at the present time is \$93,400,573.42. While a great portion of this must undoubtedly be ten-year debentures, yet at least 30 per cent are fifty-year debentures, for a great deal of Victoria, Vancouver, and all the larger cities have been issued on a fifty-year basis. A great deal more of it is twenty-five years, and I have for the purpose of this letter to you assumed that twenty-five years would be a fair average, but if I assumed ten years as the average the annual amount of taxation would be higher, the difference being \$3.94 per \$1,000. You can readily understand from this the enormous saving of taxation which would be made to the people of this Province by allowing them the privilege of raising by taxation for enough sinking funds on a four and a half per cent basis, rather than on a three per cent basis. Assuming the average life of the loan at twenty-five years, the annual amount saved would be \$318,494. Assuming it at ten years the annual amount saved would be \$367,996.

I might be permitted to remind you that this sinking fund does not in any way represent any value received by the Province or by the municipalities of the Province, or the people of the Province. The capital has already come to the Provincial municipalities and has been utilized by them, and this is simply one sum necessary to be raised each year by taxation to pay the same back. While it is accumulating it is of no benefit to the Province for it cannot be invested in anything that builds up the Province, but remains simply and solely trust funds on deposit, and when it is accumulated it is paid outside the Province to the people who originally supplied the capital.

So much from a municipal standpoint. From a Provincial standpoint it does not seem to me to work any hardship on the Provincial Government. The last loan Act is on the basis of four and one-half per cent, and if the Province should be able to borrow in the London market, at any future time, moneys at a less rate, the Act might provide that by Order-in-Council or authority the rate of borrowing might be reduced to four per cent, for even at four per cent there would be an enormous saving to the municipalities over and above what the banks would give them.

The Finance Minister would from time to time know exactly what he would have to pay out in any one year and provide for it in his estimates, and taking it all in all, it seems to me a matter worthy of the best consideration of the Government of the Province.

I have the honour to be, Sir,

Your obedient servant,

F. A. McDIARMID,

Solicitor for the Union of B. C. Municipalities.

CHILLIWACK SEWERAGE SYSTEM.

"The Sewerage System of Chilliwack, which has just been completed, is the result of years of agitation, based upon the unsanitary condition of the city, resulting from the system of septic tanks in vogue.

"This culminated, in the beginning of 1913, in the electors voting the necessary money, \$35,000, to install a modern system of sewerage, which has been prepared by Messrs. Cleveland and Cameron, Civil Engineers, of Vancouver.

"By virtue of the topography of the district it was impossible to avoid lifting the sewage, and this factor of pumping, together with the adverse physical conditions, render the sewerage of Chilliwack of rather an uncommon nature.

In next month's Journal will appear an article by Mr. A. Hudson, showing how they got over the difficulty.