What has happened between September 1915 and May 1916 to produce the effects outlined?

These things have happened:

1. Confidence in the city's financial management has been not only rehabilitated but increased beyond precedent in this city by the recent business-like action of the city government. Result—better prices offered. The effects will be permanent and cumulative.
2. Willingness to deal with the city owing to the certainty of prompt, open and business-like handling of bids has increased. Result—more competition and better prices. The effects will be permanent and cumulative.
3. The city has received legislative sanction for issuing bonds at 5%, a rate nearer to the present ruling market rate. Results—better prices and the protection of the net borrowing power of the city.
4. The city has begun to issue serial bonds. Results—better prices owing to a wider appeal to individual requirements of investors; great saving in annual interest charges through annual repayments of principal; the gradual elimination of the sinking fund with its ever-present temptation to unbusinesslike manipulation, with resulting mismanagement and loss.

Queries

Should not the financing of all independent and semi-independent boards and commissions which receive the advantage of the city's credit be centralized, at least through voluntary co-operation?

Will not less money for "dead horses" mean more money for live people?

EFFECTIVE CITIZEN CO-OPERATION

WHAT IS EVERYBODY'S BUSINESS SHOULD BE EACH BODY'S BUSINESS

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CONTROLLING THE UNCONTROLLABLE

Toronto's expenditures are separated into

Controllable and Uncontrollable

For this there may be good reason.

But as a matter of fact every large group of the city's expenditures is controllable

in some degree
by some method
at some time
by some body.

The truth of this is now being demonstrated in our city financing.

For example

Can Public Health expenditures be controlled?

Yes—within limits—by the Board of Health and its officers.

Can Public School expenditures be controlled?

Yes—measurably—by the Board of Education and its officers.

Can the Annual Debt Charges be controlled?

Certainly, bygones are bygones, but the city is now giving a striking illustration of how it can be done, by doing it.

Yet these three classes of expenditure are rated as "uncontrollable."

It is idle to worry because the city's net assets might have been larger and the city's present annual debt charges smaller if such effective control had been started ten years ago.

But it is not idle to consider for a moment some effects of the recent right-about-face in city financing.

Results of the Right-About-Face

In September 1915

1. The city sold $3,500,000, ten year, 4½% Sinking Fund bonds at $91.50 per $100.
2. This money costs the city annually $5.63 for each $100 borrowed.
3. To obtain $3,202,500 a liability of $3,500,000 was created.
4. If these bonds had been issued by the new method, and the same market conditions had prevailed, $3,202,500 would have been obtained and a liability of only $3,214,167 created—showing a net capital loss on the plan used of $285,833.‡
5. The city's net borrowing power was decreased by $109.29 for every $100 received.
6. The actual annual tax levy for debt charges on the issue will be $462,806.79.
7. Under the new plan, assuming the same market conditions as in May, the annual levy for debt charges would have been $416,234.63.‡
8. On the same assumption, the resulting annual burden of debt is greater than it need have been by $46,572.16.‡
9. On the same assumption, the total unnecessary burden on the taxpayers for the life of the bonds will be $465,721.60.‡
10. One bid was received from three firms.
11. To say the least, no fillip was given to Toronto's credit.

‡Even assuming that market conditions account for 50% of the apparent disadvantage, the actual disadvantage is still very large.

In May 1916

1. The city sold $3,831,110*, (in five issues), serial 5% bonds at $99.637 per $100.
2. This money costs the city annually $5.03 for every $100 borrowed.
3. To obtain $3,817,203.07 a liability of $3,831,110 was created.
4. If the bonds had been issued by the old method, to produce the same amount a liability of $4,116,658 would have been created, instead of $3,831,110—showing a net capital gain of $285,558.
5. The city's net borrowing power was decreased by only $100.36 for every $100 received.
6. The actual annual tax levy for debt charges on these issues will be $308,328.87.
7. Under the old plan the annual levy for debt charges would have been $359,152.05.
8. This represents a net annual saving of $50,823.18.
9. This represents a total saving to the taxpayers during the life of the bonds of $1,009,209.02.
10. Fourteen bids were received from twenty-eight firms.
11. A boost was given to Toronto's credit which, if followed up, as it will be, will place Toronto permanently in the lead by giving her full advantage of her natural credit.

*The amount actually disposed of was $3,699,000—$132,110 being withheld.