

Subsection 3.—Municipal Debt

The rapid growth experienced by municipalities in Canada coupled with increased demands and responsibilities for improvements, schools, utilities, and other services or facilities has resulted in the incurring of a heavy burden of debt. Debenture borrowings increased rapidly in the period 1900-12 and again during the 1920's and early 1930's. From 1933 to 1946, however, the trend was downward.

Several important factors have contributed to this decline in municipal indebtedness, not the least important of which has been the measure of control exercised by Provincial Government departments over capital expenditures involving the incurring of debt. In addition, there was a more or less orderly retrenchment during the depression years following periods of what proved to be unwarranted expansion which, along with widespread demands to ease the tax burden on real property, has resulted in capital undertakings and works requiring debenture financing being severely curtailed. A further significant factor in this regard is that the greater part of the municipal long-term debt is represented by serial or instalment-type debentures, which require yearly repayments of principal. While the benefits of debt reduction are of course manifold, certain expenditures have been sorely needed in many communities for the rehabilitation of existing assets and for new improvements necessitated by the normal expansion and development that has taken place. These were sacrificed in the earlier years mainly in the interest of the taxpayer; subsequently, after the outbreak of war in 1939, the policy of deferment was continued, if not extended, to free the financial market to the needs of the Federal Government in meeting its war financing requirements. Municipalities having been denied, either voluntarily or otherwise, improvement programs for so long, will show a natural tendency to get these under way as soon as possible in correlation with master post-war plans of the Federal and Provincial Governments. This becomes apparent in the increased amounts of debt shown for 1947 for Nova Scotia, New Brunswick, Ontario, Manitoba, Alberta and British Columbia. Indications are that an accelerating rate of increase will be recorded for 1948 and 1949. Table 38 shows figures of municipal indebtedness for 1947 and includes temporary loans and other liabilities in addition to debenture debt. A table at p. 791 of the 1941 Year Book shows the bonded indebtedness of municipalities from 1919 to 1938.

38.—Debt of Municipal and School Corporations for their Fiscal Years Ended in 1947

NOTE.—Compiled from published reports of Provincial Departments of Municipal Affairs, auditors reports and financial statements of municipalities, and information secured from other official sources.

| Item | Prince Edward Island | Nova Scotia | New Brunswick | Quebec | Ontario |
|--|------------------------------|-------------------------------|-------------------|--------|--------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Direct Debt— | | | | | |
| Debenture debt..... | 2,997,326 | 34,821,313 | 26,519,011 | .. | 227,630,656 ¹ |
| Less sinking funds..... | 986,899 | 15,335,043 | 9,414,350 | .. | 27,913,461 |
| Net Debenture Debt..... | 2,010,427 | 19,486,270 | 17,104,661 | .. | 199,717,195 |
| Temporary loans..... | 135,681 | 1,157,888 | 551,284 | .. | 16,420,036 ² |
| Accounts payable and other liabilities.. | 32,117 | 1,602,650 | 2,730,806 | .. | 27,307,375 ² |
| Totals, Direct Liabilities <i>(less sinking funds)</i> | 2,178,225³ | 22,246,808³ | 20,386,751 | .. | 243,444,606 |

For footnotes, see end of table, p. 1042.