

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 the trend was downward but since 1947 it has shown a considerable increase.

Several important factors contributed to the 1933-46 decline, not the least important of which was the measure of control exercised by the provincial governments over capital expenditure 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, resulted in the severe curtailment of capital undertakings and works requiring debenture financing. Also, the greater part of the municipal long-term debt was represented by serial or instalment-type debentures, which require yearly repayments of principal. During the 1930's, the rehabilitation of existing assets and new works and improvements necessitated by normal expansion and development were sacrificed mainly in the interests of the taxpayers. After the outbreak of war in 1939 the policy of deferment was continued, or even extended, to free the financial market to the needs of the Federal Government in meeting war-financing requirements. Since the end of the War, however, municipalities have resumed their improvement programs and thus increased their debenture debts. Table 45 shows figures of municipal indebtedness for 1950 and 1951 and includes temporary loans and other liabilities in addition to debenture debt.

45.—Debt of Municipal and School Corporations, by Province, for their Fiscal Years Ended in 1951, and Totals for 1950 and 1951

NOTE.—Figures shown are compiled from published reports of provincial Departments of Municipal Affairs, auditors reports and financial statements of municipalities, and information secured from other official sources.

Direct and Indirect Debt	Newfoundland	Prince Edward Island	Nova Scotia	New Brunswick
	\$	\$	\$	\$
Direct Debt—				
Debenture debt.....	3,645,988	3,740,406	49,190,968 ¹	47,354,185
Less Sinking Funds ²	191,168	1,171,299	13,010,319	7,790,745
Net Debenture Debt.....	3,454,820	2,569,107	36,180,649	39,563,440
Temporary loans and bank overdrafts.....	139,399	851,147	7,352,890	2,352,697
Accounts payable and other liabilities.....	407,354	40,700	2,903,500	3,001,166 ⁴
Totals, Direct Liabilities (less Sinking Funds).....	4,001,573	3,460,954³	46,437,039	44,917,303
Indirect Debt—				
Guaranteed bonds, debentures, etc..	..	..	931,000	2,278,000
Less Sinking Funds.....	..	..	174,810	--
Totals, Indirect Liabilities (less Sinking Funds).....	..	..	756,190	2,278,000
Grand Totals.....	4,001,573	3,460,954³	47,193,229	47,195,303

For footnotes, see end of table.