

# LEGISLATURE OF ONTARIO

## SECOND PARLIAMENT—SECOND SESSION.

FRIDAY, March 7, 1873.

The Speaker took the chair at three o'clock.

### PETITIONS.

The following petition was presented:

Mr. Ardagh—Of William T. Foot and others, of Medora, praying that Medora be not incorporated.

### MUNICIPAL LOAN FUND.

Attorney General MOWAT rose to move his resolutions respecting the Surplus and Municipal Loan Fund, and said that he had now to ask the House that it would resolve itself into Committee on a future day on resolutions with reference to the Municipal Loan Fund debts and the surplus; and he might state here that he was commanded by his Excellency to say that he had been acquainted with the subject matter of the resolutions that he was about to move, and that he asked for the consideration of the House therefor. These municipal debts had, by the effect of the award between Ontario and Quebec, been assigned to Ontario. He assumed, with the two Governments that the present one had succeeded, that the award would be maintained. If it should not be sustained, still there was no doubt that this asset would be assigned to Ontario, and therefore there was no difficulty in proposing to the House to legislate on the subject of these debts. The amount of them was shown, by the return which had been presented to the House last session, to be \$6,612,092 of principal then due. That amount had been very slightly altered since, and there was now very nearly six millions of dollars of interest due. For the purpose of determining what it might be prudent to do with these debts it seemed to him well to call to mind how it was that they arose. They were created under an Act passed in 1856, which provided for a fund of a million and a half sterling for Upper Canada and as much for Lower Canada. It was intended, by establishing that fund, to enable municipalities to raise money under more advantageous terms than could be done by these municipalities issuing debentures on their own sole credit; and the general effect of the Act, it was important to remember, was to place the management of the fund in the hands of the Governor in Council; and then it provided for the issue of debentures on the credit of the various municipalities, with certain restrictions, which it was thought (and theoretically it seemed very likely) to be sufficient to make the transaction an extremely safe one for the Government and a safe one for the municipalities who were interested in the fund, and who might borrow on the strength of it. It was provided that the amount borrowed by any municipality should not exceed one-fifth of the value of the assessable property of the municipality;

it was provided that the money should be applied to certain specific purposes of a permanent character; it was required that every loan should receive the assent of the ratepayers; that it should also be subject to the approval of the Governor in Council, and one clause in the Act expressly provided that he should see to the expediency or in expediency of the proposed loan; and it was further provided, in order to make the payments by the municipalities upon their loans quite safe, that every Treasurer and clerk and collector should discharge the duties assigned to him for the purpose of paying to the fund the annual interest of the sum which the municipality borrowed, and that these officers were bound to act without the order of the municipal council. It was by this Act made the duty of the municipal officers to perform the offices of assessing the property of the municipality, of collecting the dues, and of paying them over to the Inspector-General, without any control of the municipal bodies. Then it was further provided that in case of default the Government might, three months after the default, issue its warrant to the sheriff, so that if the money had not been assessed or paid over as it ought to have been, the sheriff could sell the property of the municipality. A further provision was that revenues that might be derived from investments of money borrowed from the fund were all to be paid over to the Receiver-General. It would be seen that these provisions were extremely stringent. They provided, as well as it was possible to provide by any enactment, that no debt should be contracted by a municipality which it was impossible for it to pay; that no debt should be contracted which it was not prudent to contract; and that the sums for the purpose of recouping the Government should year by year be paid. That, however, was not the result of the Act. Large sums were borrowed under it, and in some cases sums which proved far beyond the power of the borrowing municipalities to repay, so that they went to default almost immediately. This probably arose in part from an idea, in regard to many of the investments that they were making, that they would yield a revenue in return, that the railways, in which a large amount of money was invested, would pay large dividends, and that the municipalities would not be called upon to tax themselves. The result, however, was entirely different; legislation was called for to provide a remedy; and in 1859 an Act was passed, the substance and material object of which was with respect to the large debts which were found to be too large to make it practicable to enforce payment of the annual sums that they involved, that a limit was placed upon the annual payment, which was fixed at five cents in the dollar of the actual assessment from year to year; it being provided, however, that the proportion for no year should be less than 5 cents on the dollar for the assessment of 1858. Now the object of that was to make the debts such as the different municipalities could pay. The statute did not discharge the balance of the debts. That the assessment then made upon the municipalities was a very moderate one every one of us in looking back must feel—that it was an assessment which it was reasonable to think the municipalities could afford, and one that would lead them in the future to discharge their obligations. An attempt was made to make the security still greater than existed under the previous Act, and for that purpose it was provided that the annual charge under this Act should be the first charge on all money raised in the municipality, for whatever purposes it was raised. It was made a misdemeanour, also, on the part of any officer of a municipality not to pay over its money from time to time. Not only was it made a criminal offence, but it was also provided that he should be personally liable for the amount. The additional provisions it was thought would make certain that the balances should be paid; but there was again disappointment. Default commenced immediately, and has been going on from that time to the present. No doubt in some cases this arose from political influence that was brought to bear on the Government of the day. It was always difficult for a Government to resist pressure on their good nature from a large body or class of the people. The result was that very few indeed paid the full amount of their debts; that some literally paid nothing since 1859; that others not more able have paid their whole debt, or a considerable portion of it, while more have made partial payments and some have made very trifling ones. There was no kind of principle running through the payments. It seemed to be mere matter of caprice on the part of the municipalities. When one looked at the names of the municipalities and their ability and means, and then at the