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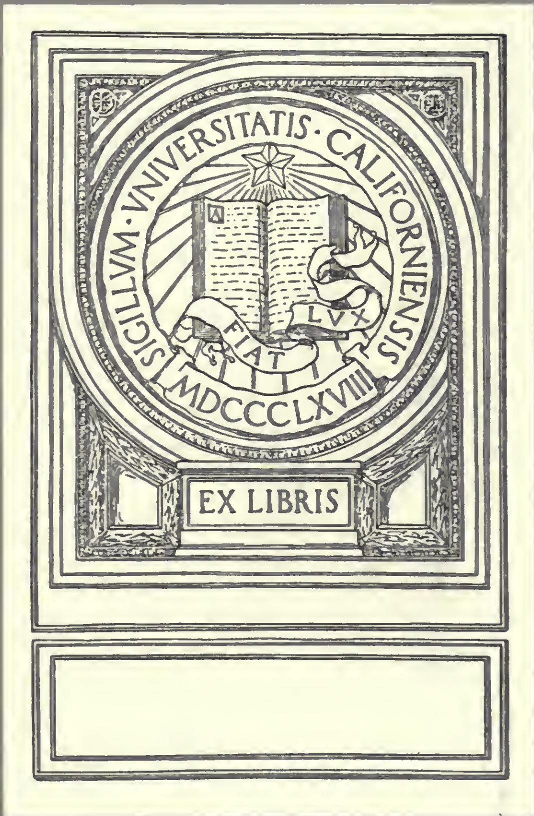
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AP. 22 1920

THE CITY BOND ISSUES

TO BE VOTED UPON APRIL 13, 1920

VOTE NO

ON ALL FOUR PROPOSITIONS

STATEMENT TO THE VOTERS OF CHICAGO
BY THE
CHICAGO BUREAU OF PUBLIC EFFICIENCY
315 PLYMOUTH COURT

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THE CITY BOND ISSUES

TO BE VOTED UPON APRIL 13, 1920

To the Voters of Chicago:

At the presidential primary election of April 13 there will be submitted to the voters of Chicago for their approval or rejection propositions to authorize the issuance of bonds to the amount of $34,500,000. The purposes for which these bonds are proposed are as follows:

For the extension and rehabilitation of the municipal street lighting system...	$15,000,000
For bridge construction................	9,500,000
For the construction of parks, playgrounds, and other recreation facilities and the purchase of sites therefor.....	5,000,000
For a municipal convention hall.........	5,000,000
Total..........................	$34,500,000

The Chicago Bureau of Public Efficiency believes that all these propositions should be defeated. The reasons therefor may be summarized briefly as follows:

SUMMARY

1. The bonded indebtedness of the City and also of the other local governments within the City has been growing at a rapid rate. In 1915, the tax levy for the principal and interest on the bonded debt of the City alone was $5,006,000; in 1920, it will be $10,289,887. The further sale of bonds (either those heretofore authorized

but as yet unsold, or those which the voters are asked to approve at the coming election) will add to the debt of the community and will increase taxes for its payment.

2. If the City were to sell at once all the bonds already authorized, its bonded debt would be within $1,000,000 of the limit of its bonding power. The proposed bonds, if voted, can be issued only as the present debt is reduced by bond redemptions, or as the sale of bonds heretofore authorized is postponed. To authorize the new bonds under these circumstances would be equivalent to encumbering the City's entire bonding power for the next five years. Such a course would be bad policy and bad financing. If possible, the City should always have a reserve of borrowing power to meet needs which cannot be foreseen.

3. The City now has under way important improvements for which approximately $35,000,000 of unexpended bond funds have been authorized. There is no assurance, however, that this sum will be adequate to finance them. Additional bond issues may be required for their completion. If so, and if, in the meantime, the proposed new bonds should be issued and other improvements be commenced, it would be necessary either to abandon partially finished work until the City were in a position again to issue bonds within its debt limit, or to secure an increase in the City's bonding power with the resultant further increase in taxes. Both these alternatives should be avoided.

4. If the proposed new bonds are sold in the near future it will probably be at a price approximately 8 per cent below their par value. When the money market becomes easier a much better price should be obtained and the loss to be sustained, if any, would be substantially

reduced. Under present conditions, none but absolutely necessary bond authorizations and sales should be countenanced.

5. The present is not an opportune time for constructing public improvements. Prices are abnormally high and labor is exceedingly scarce. Both labor and materials are needed for more urgent purposes. So far as possible, construction work of this kind should be postponed until more favorable conditions exist.

6. The City's finances are thoroughly demoralized. Expenditures are being voted by the City Council without regard to where the funds with which to meet them will be obtained, but with the hope and expectation that ultimately additional taxes will be imposed. Bond issues which are on a larger scale than ever before are being asked for and if authorized will add still further tax burdens. It is time for the voters of Chicago to awaken to a realization of what is going on in the matter of city finances. The defeat of the bond issues now proposed would have a salutary effect in restraining further reckless and wasteful expenditures.

Each of the proposed bond issues presents to some extent a need of the City, but none of them has been as well considered as it should be prior to submission to a referendum. At another time and in modified form they might deserve approval. At the coming election, however, the voters have no alternative but to approve or reject them as they are submitted. Under present conditions and in their present form they should be rejected.

THE BONDED DEBT OF CHICAGO

The bonded debt of the City has mounted rapidly during recent years. January 1, 1916, it was $31,924,600; at present it is $53,754,100. The present total bonded indebtedness of all the local governments in Chicago, including the County, Forest Preserve District, and Sanitary District, is $95,247,600.

Besides its actual bonded debt of $53,754,100, the City has a potential debt of $28,155,600 in the form of bonds as yet unsold, but authorized by the voters for various projects, most of which have been started and all of which it is proposed to complete within the next five years. These unsold bonds may be sold at any time in the discretion of the City authorities. The sale of such bonds, of course, converts them from a potential into an actual liability of the City. Since January 1, 1920, sales of similar bonds aggregating approximately $8,000,000 have in fact been made.

The County, Forest Preserve District, and South Park District, each of which depends either entirely or largely upon Chicago taxpayers for funds with which to pay the principal and interest on its bonded debt, have unsold bonds aggregating the further sum of $26,000,000 which have been authorized for projects that it is also proposed to complete within the next five years.

The following table shows the bond issues authorized since 1915 by the City of Chicago and other local governments.

TABLE SHOWING BOND ISSUES AUTHORIZED FROM JANUARY 1, 1916, TO APRIL 1, 1920, BY THE CITY OF CHICAGO AND OTHER LOCAL GOVERNMENTS.

Purpose for Which Authorized.	Year	Amount
City of Chicago:		
Bridge Construction	1916	$ 5,100,000
Municipal Street Lighting System	1916	3,750,000
Completion of Contagious Diseases Hospital	1917	750,000
Waste Disposal Building and Equipment	1917	1,000,000
School for Boys	1917	250,000
Public Comfort Stations	1917	150,000
Completion of Michigan Ave. Improvement	1918	3,000,000
Completion of Michigan Ave. Improvement	1919	2,000,000
Twelfth Street Viaduct	1919	1,200,000
Judgment Funding	1919	9,500,000
Western Ave. Street Improvement	1919	2,400,000
Ogden Ave. Street Improvement	1919	5,400,000
South Water Street Improvement	1919	3,800,000
Robey Street Improvement	1919	9,200,000
Ashland Ave. Street Improvement	1919	5,800,000
Total, City of Chicago		$53,300,000
County of Cook:		
Road Construction	1918	$ 1,000,000
Oak Forest and County Agent Building	1919	600,000
State Aid Roads	1920	5,000,000
Juvenile Detention Home	1920	1,000,000
Total, Cook County		$ 7,600,000
Forest Preserve District:		
*For the Creation and Management of the Forest Preserve District	1916	$ 3,000,000
	1917	1,000,000
	1918	1,000,000
	1919	2,000,000
	1920	2,000,000
Total, Forest Preserve District		$ 9,000,000
Sanitary District:		
*For General Corporate Purposes	1917	$ 3,000,000
	1918	2,000,000
Total, Sanitary District		$ 5,000,000
South Park District:		
For Acquiring, Constructing and Improving Parks and Boulevards (principally Lake Shore development)	1920	$20,000,000
Lincoln Park Board:		
Park Extension	1916	$ 1,000,000
Grand Total, Chicago and other local governments		$95,900,000

*All bonds of the Forest Preserve District and of the Sanitary District are issued without being submitted to a referendum.

The actual bonded debt of the City has increased $21,-829,500 since 1915; that of the City and other local governments combined, $28,041,600. That the increase in the actual debt of the City and the other local governments has not been as great as the bond authorizations shown in the preceding table is due chiefly to the fact that all the bonds authorized have not as yet been sold and partly to the redemption from year to year of those bonds which have been sold.

MORE BOND SALES MEAN HIGHER TAXES

Each new bond issue means more taxes irrespective of what taxes may be levied for other purposes. Funds for the redemption of bonds and for the payment of interest thereon are derived from taxes which are always levied in addition to taxes for all other purposes.

In 1915, the tax levy for the principal and interest on the bonded debt of the City was $5,006,000; in 1920, it will be $10,289,887.

The further sale of bonds of the City and other local governments, aggregating $54,000,000, now authorized but unissued, which it is proposed to sell within the next four or five years, will substantially increase present taxes for bond and interest purposes.

BAD POLICY TO ENCUMBER FUTURE BORROWING POWER

In April, 1919, the aggregate of all the bond issues, which had then been approved by the voters of the City, approached the debt limit prescribed by law and, in order that the Ogden Avenue and other projects sponsored by the Chicago Plan Commission might be promptly financed, the Legislature was appealed to to increase the City's bonding power. An increase of fifty per cent, or approximately $27,000,000, was granted and in November, 1919, bonds aggregating $28,600,000 were approved on referendum.

The margin which now exists between the limit of the City's debt-incurring power and its authorized bonded debt is about $1,000,000. It is obvious, therefore, that the $34,500,000 of new bonds now proposed can be issued only as the further sale of bonds heretofore authorized is postponed, or as the present bonded debt is reduced by the redemption of outstanding bonds.

To make room for the issuance of $34,500,000 of new bonds by redemptions will require from four to five years. Therefore, if the City proceeds to sell bonds to complete the projects already undertaken and votes and sells bonds for the projects now proposed, it will be unable to issue any other bonds during the next five years, no matter how necessary or desirable it may be to do so.

Of course, this embarrassment may be avoided by delaying the completion of street or other improvements the construction of which has been begun. In fact, it has already been suggested by city officials that, if necessary, the street improvement program for which $26,600,000 of bonds were approved in November, 1919, might be delayed in the interest of the newer projects.

It is not only for new purposes, however, that whatever margin of bond-issuing power can be acquired through bond redemptions during the next five years may be needed. The City now has in various stages of completion public improvements for which unexpended bond funds approximating $35,000,000 have been authorized. The original bond issue for the Michigan Avenue Improvement (the Boulevard Link) was $3,800,000. Since that time two other issues aggregating $5,000,000 have been authorized and there still remains a deficit for the financing of which no provision has yet been made. City officials have on several occasions stated that it is practically certain that additional bond issues also will be necessary for the completion of the other street improvements authorized in November, 1919.

If, during the next five years, the necessity arises for issuing new bonds for purposes now unforeseen or additional bonds for the completion of improvements now started, and if the City's bonding power is then exhausted by the issuance of all or part of the $34,500,000 of bonds now proposed, two alternatives will be open. Partially completed improvements may be allowed to remain unfinished until as a result of further bond redemptions the right is acquired to issue new or additional bonds. The other alternative will be to secure greater bonding power. Greater bonding power and additional bond issues thereunder will of course mean still more taxes for the payment of principal and interest. The City should not put itself in a position where it will be necessary to resort to either of these courses.

The City ought to have in reserve borrowing power to meet unforeseen contingencies. It should always hesitate, when nearing its debt limit, to put out more bonds, except for most necessary purposes. To do as is now proposed—to authorize bond issues aggregating $33,500,000 in excess of the existing debt limit and thereby encumber the entire bonding power of the City for the next five years—is exceedingly bad financing. The Bureau believes that none of the purposes for which these new bonds are proposed is sufficiently urgent to justify such action.

CITY BONDS NOW SELLING BELOW PAR

There is another reason why the bonds now proposed should be rejected. If they are authorized, an effort undoubtedly will be made to anticipate, in part at least, future bonding power and to issue some of the new bonds immediately so that construction work may begin at once. If the City should sell these bonds in the near future, it probably would receive for them only about $92 for each $100 bond. This would mean a loss of approximately 8 per cent on all bonds sold. Under more favorable conditions in the money market, a much better price can be obtained for City bonds.

STREET LIGHTING BONDS

The $15,000,000 bond issue for electric lighting is proposed for the purpose of carrying out a five-year program of construction. The major features of this program are as follows:

> The replacement of 10,450 gas and gasoline lamps with 25,000 one hundred candle-power tungsten electric lamps. This latter is the type of lamp placed on low posts and now in use in parts of Hyde Park, Rogers Park and certain other residential sections of the city.
>
> The replacement of 6,000 electric lamps now suspended from high poles which are in use in certain sections of the south side with 25,000 "low" lamps of the type above mentioned.
>
> The installation of 35,000 "low" lights on 500 miles of residence streets in the outlying sections of the city which are now without lights. 250 miles of these streets are now improved with buildings and

it is estimated that the remaining 250 miles will be so improved within five years.

In addition to the specific installations above enumerated, certain minor changes in the present equipment are planned and it is said also that general plant construction will be provided so as to enable the prompt and economical installation of additional lamps as rapidly as building developments require them in all territory within the present city limits.

The gasoline lamps now in use are not owned by the City. They are installed and operated by a private company, the City paying the company about $60 per year per lamp for the service. There are 10,450 gas and gasoline lamps now in use and city officials estimate that, unless the electric lighting system is extended, the number of these lamps will have to be increased to approximately 34,000 during the next five years.

It is urged that "the saving in actual operating costs in the districts covered by the proposed bond issue will be greater than is necessary to retire these bonds at their maturity and the City will have acquired as an asset an addition to its street lighting system of $15,000,000 worth of modern equipment." This statement should not be construed to mean that the savings in operating expenses will be sufficient to retire the bonds (even if so applied) and to leave the City with $15,000,000 worth of equipment.

The argument above advanced is based upon a comparison of the $60 yearly rental charge for a gasoline lamp with the City's expenditure of $9.33 per year for the operation of an electric (tungsten) lamp. This latter figure does not take into account the cost of installing the City's lamp or the interest charge on the City's investment. In the 1918 report of the Department of Electricity, depreciation and interest are estimated at approximately $15 per year per lamp. With the increased cost of plant construction and the increased interest rates which now prevail, the charge for these items would be higher.

If the total cost of operating and maintaining an electric lamp is placed as high as $30, it is still only one-half the cost of the gasoline lamp, but it should not be overlooked that where electric lamps are used the number installed is at least twice as large as are used in areas lighted with gasoline lamps. The actual outlay of money for operation and maintenance under the new system would, therefore, be approximately the same as that under the present system. The City would gain, of course, in that it would get much better lighting facilities for the same expenditure.

Assuming the correctness of the Department's estimates and cost figures, it may fairly be said with respect to savings in direct operating expenditures that, if they were so applied, they would probably be sufficient to pay the interest on the bonds and to retire the principal by the time the new equipment became worn out. But that is a proposition entirely different from retiring the bonds and also leaving the city with $15,000,000 worth of equipment.

The foregoing statement is not intended as a criticism of the Department's plan. The policy of replacing unsatisfactory and expensively operated equipment with that which, because of its greater efficiency and economy of operation, will give more and better service for the same expenditure should be encouraged, and a department head who advocates such a policy is to be commended.

However, there is nothing in the financial arrangement now proposed which contemplates that the operating economies that may be effected will be applied to the payment of bond principal and interest. Operating expenses such as gasoline lamp rentals are paid from the general corporate fund; bond principal and interest, from a special tax levy. Under the proposed plan any savings in expenditures, which othrewise would have to be paid out of the corporate fund, would be diverted to other uses while the taxpayers would be left to pay the principal and interest of a $15,000,000 bond issue. Where operating savings are promised, as in this instance, the plans for fiancing the improvement should give reasonable assurance that the savings will in fact be realized by those who pay the bills.

The present gasoline lighting service is inadequate and unsatisfactory. Electric lighting is more efficient and apparently no more expensive. The residents of outlying sections of the City where there are no lights, or where the service is admittedly poor, are entitled to an extension of the electric lighting system as rapidly as the financial affairs of the City and other conditions will justify it. The Bureau believes, however, that, in view of the general conditions set forth in the opening paragraphs of this statement, the present is no time to embark upon an expenditure of $15,000,000 for electric lights. Moreover, a single issue of lighting bonds for that amount is too large to ask for at any one time. If public officials are required to account at relatively short intervals to the voters and taxpayers for the expenditure of improvement funds of this kind and to secure further funds for such work only upon the showing that they can make as to past performances, the tendency will be toward more efficient and economical work than otherwise will be had.

The Bureau recommends that voters vote "No" on the lighting bonds.

BRIDGE BONDS

The proposition for $9,500,000 of bridge bonds should be rejected by the voters.

For several years the City has had a nominal bridge construction program. On two occasions bond issues have been authorized for the purpose of carrying out this program, but in the face of continually advancing construction costs the funds provided have been insufficient. The bonds now proposed are to be used for this same general purpose. There is no assurance, however, that $9,500,000 will complete the structures included in the program.

The estimates upon which this amount is based were prepared nearly a year ago. Since then there has been a further heavy advance in costs. Moreover, if it should be decided to build the Adams Street bridge under traffic the actual cost will probably be at least twice the amount of the present estimate. Under these circumstances approval of this bond issue means merely authorizing City officials to proceed with the building of such bridges as they may determine upon so long as the money holds out.

The Bureau is of the opinion that the need for new bridges is not sufficiently urgent to justify their construction at this time, when to finance the work the City's bonding power must be further encumbered and bonds must be sold at a sacrifice, and when costs are extortionately high.

Before authorizing bonds for additional bridges, except in cases where the need may be specially urgent, Chicago should determine a definite policy of bridge construction. The present congestion of street traffic in the central district has brought into new prominence the question as to whether the bridges carrying streets over the river shall be fixed or movable. If it should be decided that the paramount needs of the City can be met only by the use of fixed bridges, there will be a new policy of construction, providing better architectural effect and great saving in cost.

PARK AND PLAYGROUND BONDS

The proposal to authorize $5,000,000 of bonds for park and playground purposes is not based upon any definite or well considered plans. About a year ago, the Bureau of Parks and Playgrounds submitted a tentative program to the Finance Committee of the City Council, but this has never been approved by the Committee. Since then conditions have changed and it is admitted that the plans therein outlined should be modified.

In placing the proposition upon the ballot, neither the Committee nor the Council indicated specifically how these bond moneys will be expended if authorized. The proposition should be rejected upon this ground alone, even if there were no other objections to it. But, of course, all the objections to encumbering the City's future bonding power, to selling bonds at a sacrifice, and to undertaking any but the most urgent improvements while present abnormally high prices prevail apply to the park and playground proposition as well as to the other propositions to be voted upon.

CONVENTION HALL BONDS

The Bureau believes that, quite aside from the general question of policy of the City's owning and operating a Municipal Convention Hall, there are decisive objections to approving at this time the $5,000,000 bond issue proposed for such purpose.

The announced purpose of such a building would be to bring business to Chicago. Incidentally, it might be used for civic, social and amusement purposes. In support of the proposition it is stated that this City is without adequate facilities for handling large commercial conventions and exhibitions and that, therefore, they are being held elsewhere and as a consequence Chicago is losing business.

No site has been selected and no definite plans have been prepared. In a general way it is estimated that a suitable structure "about a block wide by two blocks long" can be built for the $5,000,000, including the purchase of the land. The location of the site and the character of the plans are such important factors in determining the cost of such a project that they should be more fully developed before a bond issue is called for. Otherwise, after the work is undertaken it is likely to be found that the funds provided are inadequate and the taxpayers may be called upon to provide a much larger aggregate sum than they would have approved in the first place had they been properly advised. Chicago has had too many experiences of this sort in connection with public improvements in recent years.

It is said that "the City's present financial condition and bonding power have absolutely nothing to do with the Memorial and Convention hall proposal. The public is only asked at this time to approve the general proposition''; that the ''bonds will be issued when in the judgment of the Finance Committee and the City Council, the City's financial condition is such as to warrant the issuance of the bonds.''

The Bureau believes that there *is* a connection between these bonds and the City's bonding power. They will be in effect a mortgage on the City's future power to issue bonds. Also, once they are authorized, they will compete with other authorized bonds with respect to priority of issuance and may succeed as against those more urgently needed for other purposes.

It is claimed that the convention hall will be self-supporting—that its rentals will pay at least its direct operating and maintenance costs and also the principal of and interest on the bonds. The financial arrangements so far discussed by City officials contemplate nothing of the sort. Unless the Council is committed in advance to the proposition of using such rentals to the extent that they may be available for the payment of such bond principal and interest, it is practically certain that they will be used for other corporate purposes, while the taxpayer will be saddled with the added burden arising from the issuance of the bonds.

If the construction of such a building shall be commenced in the near future it will involve the use of labor and materials much more urgently needed for other types of construction.

The convention hall proposition can well afford to await more opportune conditions. The voters are advised to vote "No" upon it.

CHICAGO BUREAU OF PUBLIC EFFICIENCY,
HARRIS S. KEELER,
Director.

April 6, 1920.

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