

10-27-1922

City Club of Portland Bulletin vol. 03, no. 05 (1922-10-27)

City Club of Portland (Portland, Or.)

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Recommended Citation

City Club of Portland (Portland, Or.), "City Club of Portland Bulletin vol. 03, no. 05 (1922-10-27)" (1922).
City Club of Portland. 21.
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"Harmony in
Diversity"

PORTLAND CITY CLUB BULLETIN

"Active
Citizenship"

VOLUME III

PORTLAND, OREGON, OCTOBER 27, 1922

NUMBER 5

FRIDAY, OCTOBER 27

Hotel Benson, 12:10

THE 1927 EXPOSITION PRESENTED IN DISCUSSION

SPEAKERS

JOHN GRATKE
DR. CALVIN S. WHITE

CITY CLUB GROUP SINGING

The above program is presented for the particular purpose of giving City Club members a broad perspective of the Exposition measure to be voted on November 7th.

YOUR EARLY ATTENDANCE IS REQUESTED

AMENDMENT FOR ISSUING WATER BONDS APPROVED

Another informative and well prepared report by a City Club Committee was presented last Friday, the subject considered being the proposed charter amendment relative to the issuance of water bonds. The Committee, of which the following members, John H. Lewis, S. J. Graham and H. W. Hughes, pointed out the necessity of passing the bonds in order to maintain the credit of the City. The report, approved by the Governors and adopted by the Club, is given in full below:

TO THE BOARD OF GOVERNORS:

Your committee appointed to investigate the merits of the proposed charter amendment relative to water bonds, which will be submitted to the people for their action November 7th, 1922, has thoroughly investigated the Act, and report that the same should receive the recommendation of the City Club.

The proposed amendment to the charter is composed of two sections, (a) relating to the issuance of bonds for additions to property, and (b) authorizing the refunding of the water bonds issued July 1st, 1893, to the amount of \$2,200,000 which become due July 1st, 1923.

The first section covers the method of issuance of bonds, and the establishment of sinking funds to retire the obligations at the time they become due, and also specifies the limit of the bonds that may be issued by the Water Bureau. It will be noted that authority is now given to the City Council to issue serial bonds instead of limiting them to long-term bonds.

Provides for Self-Sustaining Basis

This section has apparently been prepared with the idea of placing the Water Bureau upon

CONTINUED ON PAGE 3

PORTLAND CITY CLUB BULLETIN

Published Weekly By

THE CITY CLUB OF PORTLAND

Office of the Club 308 Henry Building
Telephone Broadway 8079

Subscription Price \$1.00 per year

Entered as Second Class Matter, October 29, 1920, at the
postoffice at Portland, Oregon, under act of March 3, 1879

CITY CLUB OFFICERS

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DR. OTIS B. WIGHT *First Vice-President*
ELLIS R. HAWKINS *Second Vice-President*
DR. J. EARL ELSE *Secretary*
IRA T. WALKER *Treasurer*

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ROBERT W. OSBORN *Executive Secretary*

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R. G. E. CORNISH 1916-17
EDGAR H. SENSENICH 1917-18
H. ASHLEY ELY 1918-20
ROBERT R. RANKIN 1920-21
L. D. BOSLEY 1921-22

APPLICATIONS FOR MEMBERSHIP

The following applications for membership have been received and will be presented for the approval of the City Club, Friday, November 10th:

DR. WALTER M. ANDERSON,
Medical Officer,
U. S. Navy Recruiting Station.

NICHOLAS JAUREGLY,
Lawyer, 1313 N. W. Bank Bldg.

WITH THE GOVERNORS

Two exceptionally fine City Club reports were approved by the Governors at the meeting on Monday. The study of the Collection and Disposal of Municipal Wastes in Portland received unanimous approval and commendation, and will be presented to the Club soon.

"The Portland Community Chest—A Survey," takes rank as another outstanding product of intensive City Club committee work. This committee was appointed last July and has been gathering data to inform Club members of every angle of the Chest, including history, organization, methods of disbursing funds, campaign system, effect on beneficiaries, etc. The Committee began its study, not for the purpose of justifying the existence of the Chest or to criticize its methods, but to give facts about its operation. The result is a report in which an inquirer may find facts on nearly every question concerning the Portland Chest. Subject to the approval of the Finance Committee both of the above reports will be published for distribution to members.

Two other reports were considered by the Governors, but were referred back to the Committees for additional data.

THE RECEIVING LINE

A reception committee at the entrance to the Crystal Room at each Friday's luncheon to greet new and old members and to facilitate seating at the tables and to make introductions;

The introduction of new members as many times as necessary to make them feel at home in the City Club;

The introduction of guests, talks by committee chairmen and other features were emphasized as the purposes of the new committee on Reception in a rousing talk last Friday noon by Roy R. Denny, chairman (the new spirit of the committee demanding emphasis on the "Roy").

Chairman Denny's proposals for increasing the fellowship and acquaintance of City Club members may have sounded radical to some of the "oldtimers," but the Reception Committee is proceeding, with the approval of the Governors, to make suggestions and invite criticism of its methods. The Committee asks the co-operation of Club members, even to the point of a warm handshake and a smile for the receiving line.

If members of the Club have constructive suggestions for the improvement of the Friday meetings along the line of fellowship, write to the Office.

HENNY ADDRESSES CLUB

Present agricultural, industrial and political conditions in Western Europe were keenly portrayed to the City Club last Friday by D. C. Henny, consulting engineer and a City Club member, who recently returned from a summer's trip abroad. His talk was in response to a direct invitation to make observations for a Club report. The result was one of the most interesting personal accounts of European observations that the City Club has heard for some time.

Agricultural conditions in France and Germany, especially in France, are surprisingly good, Mr. Henny points out. France has apparently almost completely reclaimed her battlefields, the farmers are prosperous and indicate that they are saving money. The speaker was of the opinion that the economic fate of France rests largely in the hands of the farmers, agriculture being the one industry that could bear additional taxes in order to balance the enormous French budget.

In Germany, livestock is scarce and the farmers are rapidly using up land values. Sweden is in bad shape and is asking for greatly increased protective tariff. Holland is laboring under a heavy load and is facing an agricultural crisis.

There is much unemployment in England, according to Mr. Henny, but this is not true in France and Germany. Industries are humming in Germany, because low wages enable her to compete with other countries. Workmen in Germany, however, are below par physically because of the starvation wages, brought about mainly by depreciated currency. Mr. Henny quoted the following figures to show the depreciation of currency in the various nations: Holland 2%, Sweden 4%, England 7%, Norway 30%, Denmark 21%, France 62%, Belgium 63% and Germany 99.6%.

"The question in France, of course, is whether or not she will be able to balance her budget," said Mr. Henry. "For this purpose, German reparations are her principal hope, but Germany is apparently unable to pay. I was told that the French army is already reduced to a minimum in comparison with the armies of other nations. Could the national income be increased? Yes, by increasing the taxes on agriculture, but at this point I was informed that the French agricultural party has control of parliament and refuses to be adequately taxed, relying on hypothetical reparations from Germany to balance the budget. In taking this attitude the agriculturists are endangering the republics of both countries and all hope of a European economic equilibrium."

WATER BONDS

CONTINUED FROM PAGE 1

a self-sustaining basis, as the revenue from the sale of water is primarily liable for the payment of the principal and interest on the bonds. It requires the City Council, before the first day of the fiscal year, to prepare a written estimate of the probable cost of the operation, maintenance and depreciation of the water works, together with interest and sinking funds required for all outstanding indebtedness during the ensuing year, and thereupon fix the water rates for the year, which will insure a sufficient income from the sale of water to pay for such expense and cost.

It also makes it mandatory upon the part of the Council to set aside an annual amount for a sinking fund for the retirement of the outstanding water bonds, which amount shall, with the anticipated accumulation of interest on money or securities in such fund, be sufficient at the time when the various water bonds heretofore and hereafter issued become due, to retire said issues.

Sinking Fund Established

It further states that the said sinking fund shall be upon the actuarial basis, and tables shall be prepared showing the amount which should be on hand in the sinking fund at the close of each fiscal year; and if at the close of any fiscal year the amount in the sinking fund is not equal to the amount as computed, any such deficit shall be made up at that time by transferring to the sinking fund from the water fund, the necessary additional amount.

This provision is sound, as it not only requires the council to set aside such annual amounts, that with the anticipated accumulation of interest, will be sufficient to retire the bonds, but further protects the sinking fund against any fluctuations in the value of money. This will protect the financial integrity of the city, and should result in a better price being obtained for the bonds.

This section further provides that the bonds shall be a general obligation of the City of Portland, but that they shall not be included within the seven per cent debt limit. The limit to be placed upon the bonds is based upon the financial ability of the Water Bureau to pay its debts, inasmuch as it is mandatory upon the City Council to set aside annually, sufficient money to retire the various bond issues when they become due; and before any additional bond issues can be made, sufficient revenue must be

in sight to also provide for the retirement of the additional bonds.

These bonds are further limited in that no bonds may be issued, provided that the prospective issue, together with the net bonded indebtedness of the Water Bureau, shall exceed a sum which will be realized by placing in a sinking fund annually, to be compounded at four per cent interest for a period of thirty-five years, an amount equal to the payment during the 1st preceding fiscal year for the retirement of the bonds.

Refunding Bonds Absolute Necessity

The second clause covers the issuance of refunding bonds to the amount of \$2,200,000 which were issued on July 1st, 1893 and become due July 1st, 1923. These Bonds were issued for the original development of the Bull Run supply, and practically all of the property for which these bonds were issued, is still in use by the water system, and will be in use for many additional years.

The water works of the City of Portland were operated from 1886 to 1903 by a Water Committee, appointed by the Legislature of the State of Oregon. In 1903 the Act of the Legislature was changed so that the water works were operated by a Water Board, appointed by the Mayor and City Council of the City of Portland.

Up to this time, no provision had been made for a sinking fund for the retirement of the bonds, the principle followed by the Water Committee being similar to that adopted by many privately owned utilities, who consider that the best reinforcement of an obligation is obtained by putting the excess revenues back into the property, and by refunding bond issues as they mature.

At this time, the Legislature made it compulsory upon the Water Board that, beginning with 1905, they should set aside each year for a sinking fund for the retirement of bonds, an amount not to exceed two per cent of the outstanding bonded indebtedness. This amount was not sufficient due to the fact that no provision had been made prior to this date, for the bonds already issued, which amounted to \$3,150,000, of this amount \$950,000 having since been retired.

In 1910 the charter of the City of Portland was amended, and a provision was added, that not less than two per cent should be set aside annually for the retirement of bonds. The Council, at a later date, realizing that there was not sufficient money in the sinking fund to take care of the \$2,200,000 issue, becoming due on

RESOLUTION

The following resolution passed by the Governors, was adopted at the meeting of the City Club last Friday:

WHEREAS: There is a movement on foot to invite the World's Christian Endeavor Society to hold its 1925 convention in Portland, and WHEREAS, Portland offers an exceptionally good place for such a convention because of its climate, location, traditional hospitality, and, WHEREAS, The holding of such a convention would be of inestimable value to the builders of Christian ideals and character, not only in Portland and Oregon, but in the Pacific Northwest,

THEREFORE, BE IT RESOLVED: That the City Club join with local Christian Endeavor Societies and other civic organizations in inviting World's Christian Endeavor Societies to hold the 1925 Convention in Portland.

July 1st, 1923, submitted to the voters, in 1918, a proposal relative to the refunding of bonded indebtedness, which was passed. As the question of the authority granted by this charter amendment has been raised by bond attorneys, on account of not specifically designing the particular bond issues which were to be retired through refunding issues, it becomes necessary at this time to submit an amendment to the voters, specifically authorizing the refunding of these bonds. As this indebtedness can be taken care of in no other way, it is absolutely necessary that the authority to refund the issue be given by the voters.

Summary

To summarize: The first section permits the issuance of serial bonds, definitely determines the method of setting aside a sinking fund, removes the bonded indebtedness of the Water Bureau from the seven per cent debt limitation, and establishes a limitation for bonds to be issued by the Bureau, based upon its financial ability. This section will result in a more business-like operation of the Water Bureau. The Second section specifically authorizes the refunding of bonds becoming due July 1st, 1923, which were issued for property that will be in use for many years. This authority must be granted, or the future development of the water system will be seriously handicapped, and the credit of the City of Portland impaired.

In conclusion, we would recommend that the City Club go on record as approving this amendment.