

CHARTER AMENDMENTS WHICH WILL COME BEFORE VOTERS ON DEC. 9 ARE EXPLAINED

Proposed Change Would Permit Bonding Before Instead of After Improvement Is Made—Penalize Delinquents—Facilitate Retiring Bonds and Economy.

Title of Amendment No. 1.
An Act to amend the City Charter of Portland by adding thereto two sections defining the word improvement, providing for the issuance of bonds and payment as the work progresses, authorizing the assessment of the cost of any improvement upon property specially benefited thereby, permitting property owners to bond and pay in 20 semi-annual installments any amount amounting to five dollars or over, providing for interest, for penalty on delinquent assessments, and repealing Charter Section 425.

Shall the Charter be so amended?
100. Yes.
101. No.

On July 31, 1913, the city's improvement bond sinking fund had \$940,977.68 on deposit with Portland banks. This money, nearly a million dollars, was drawing 2 per cent interest.

Against this sum, improvement bonds bearing 6 per cent interest were outstanding. Portland was paying 6 per cent on nearly a million dollars of indebtedness, while the money was on hand to discharge the debt.

Portland was losing 4 per cent interest on the full amount because of an inefficient charter provision regulating the retirement of improvement bonds.

During the past three years an average of \$769,345 improvement bond sinking funds has been on deposit with the banks, drawing 2 per cent interest. During the past two years the average bank deposit has been \$925,000. During the same periods bonds which these bank deposits should have redeemed were drawing 6 per cent interest.

City Lost Heavily.
Since the improvement bond provision has been in effect, April 1, 1901, the city has lost \$97,960 because of excess interest imposed by a charter provision preventing immediate retirement of bonds when money became available in the sinking fund.

Since April 1, 1901, mismanagement of the improvement bond system, a mismanagement not chargeable against officials, but against an inadequate system, has cost the city \$255,027. Of this amount, \$97,960 was due to excess interest as stated above. Interest paid on contractors' warrants added \$129,869, and interest on money advanced from the general fund to pay the first interest installment on bonds added \$27,208.

To get the city from under this system of bad financing of local improvements the city charter amendment suggested by Robert G. Dieck, if adopted by the voters December 9 the amendment will permit bonds to be sold in advance of an improvement, the cost of which is paid in monthly installments, will be created.

Future Losses Eliminated.
It is urged on behalf of the proposed amendment that it will result in lower contract prices on local improvements; that it will eliminate future losses due to poor financial management; that all local improvements can be bonded if the property owner so wishes; that it will effect a considerable saving to individual property owners and to the city as a whole.

Under the present charter provision an improvement cannot be bonded until the contract is let and the work finished and accepted. Contractors are compelled to advance the money for the work in progress, and often during delays incident to final acceptance, it has been reasonably well established that high contract prices are due in large part to the system, that the cost of delays in payment, including interest on money employed by the contractor, is included in the contract price. Thus the property owner pays these overhead charges indirectly.

Two Defects Noted.
There are two outstanding defects in the present method of bonding local improvements. One is inability of the city to begin paying contractors until their work is completed and accepted. The other is the method provided for redeeming bonds.

Under the present system each improvement is bonded separately. Interest and installments are payable by property owners annually. But interest due the bondholder is payable semi-annually, thus making it necessary for the city to advance from its general fund the first six months' interest on the bonds. The general fund is reimbursed, but it actually loses the earning power of money so employed.

The amendment provides that bonds shall draw interest semi-annually as at present, but it also says that installments and interest due from property owners shall be paid semi-annually.

The purpose of this provision is to make the bonding system self-sustaining by requiring payments from property owners at intervals coincident with payments due bondholders. It is urged that the city's credit may properly be used in the property owner's behalf, but the property owner should not ask the city to advance money for meeting the first six months' interest on bonds issued for his benefit.

Bonds Sell at Premium.
Improvement bonds have been selling at a premium, and under the present system the premium goes into the city's general fund. The amendment provides that all premium money shall be credited to the improvement bond interest fund, thereby to remain as long as it is needed. This provision is expected to make unnecessary the practice of transferring money from the general fund to meet interest payments on bonds.

It also provided in the amendment that, instead of each improvement being bonded separately, as at present, a number of improvements may be grouped, and the proceeds from sales of bonds be applied to each project as the money is needed.

The amount of bonds to be issued in any one month will be determined from the city engineer's certificates of work done. From this total will be deducted the percentage withheld from contractors, and also the percentage of cash payments on improvement assessments. This latter item will be estimated as nearly as possible from data available in the audit office.

Present System Defective.
The big defect of the present system is the method provided for retiring bonds. It is urged that in practice the system is as much an investment as it is a redemption system, when its real purpose should be to retire bonds as fast as possible.

Portland began bonding for local improvements more than \$17,000,000 in this class of city securities have been issued. Of these, less than \$2,000,000 have been redeemed.

On July 31 redemption totaled \$2,882,671. But on that date \$940,977 was lying in the banks at 2 per cent, whereas the bonds it was paid in to retire were drawing 6 per cent. There was no opportunity for investment of the sinking

of one year bonds may be called on the first day of any month, in numerical order, with accrued interest to the date of payment. The "interest date" limitation is discarded.

In the illustration above, after \$50,000 had been used in retiring the January bonds, the other \$30,000 would be used in retiring the February issue. The process would be repeated month after month, the city whittling away at its outstanding securities as fast as money came into the sinking fund.

Now Proposed System Works.
Bond buyers prefer the present system, but they admitted to the city commissioners that it is not advantageous to the city and property owners.

If the amendment is approved by the voters there will be no necessity for seeking investment of sinking funds paid into the treasury for the retirement of future issues of bonds. The money can be used immediately in discharging the duty for which it is intended. There would be an end of financing. The city would quit losing 4 per cent interest on sinking fund deposits at the banks.

If the amendment is adopted Portland will be enabled to pay off its improvement bonds as rapidly as the money becomes available. It is said that the securities will still command a premium, but in any event no bonds can be sold under par.

At the present time Portland's improvement bonds are sold largely to the east. They are purchased through local dealers, who find ready takers for gilt-edged 6 per cent securities. Practically all the interest money leaves Portland.

Popular Sale of Bonds.
The amendment provides that the city commissioners may arrange for popular sale of these bonds over the city treasurer's counter to Portland people. Bonds may be issued in small denominations, in which a stated price, par or better, shall be fixed. These bonds will be available to any person with a limited capital for investment. The person with \$100 in savings will have an opportunity to walk into the city treasurer's office and buy a \$100 bond just as a yard of calico is bought.

The purpose of this provision is to give the commissioners authority to make popular bond sales practicable in Portland. Under the present system, which requires bids on all bonds sold, the small investor is at a disadvantage.

Under the proposed amendment the small investor may be accommodated on equal terms with the eastern investor.

RESTRAINING ORDER IS ASKED AGAINST CITY
To restrain the city from enforcing orders to tear down buildings at the southwest corner of Third and Yamhill streets and at 205 and 207 Front street, between Taylor and Salmon, suit has been filed against the city, Mayor Albee, Building Inspector Plummer, City Commissioner Dieck and Health Officer Marcelus by M. E. Arbuckle and S. A. and H. E. Ray.

The buildings were condemned October 14 and a complaint was filed in the municipal court October 22. R. L. Ray, owner of another one-fifth interest, was arrested and the case against him is pending. The plaintiffs say their buildings are not unsanitary or unsafe.

Serums Superseding Surgery.
Milwaukee, Dec. 6.—"Serum and antitoxins are superseding surgery," said Dr. J. B. Murphy, of Chicago, before a railroad surgeons' convention.

The amendment says that after a life

IRVINGTON CLUB WILL ERECT BIG GYMNASIUM

Steel and Glass Structure for Children Will Be Financed by Bond Issue.

A \$100,000 clubhouse, including a ball room, dining room, library and reading

room, sleeping rooms for men, a handsome matatorium and a roofed over gymnasium of steel and glass open at the sides to take the place of outdoor playgrounds will be built by the Irvington club to occupy the entire end of its property where the children's playgrounds are now situated.

The present tennis courts, which occupy 12 lots, will be moved a little to the south and the eight playground lots occupied by the new clubhouse. The property is bounded by Thompson, Brazee, East Twentieth and East Twenty-first streets.

No donations will be solicited, but the clubhouse will probably be financed by the issuing of bonds in denominations of \$100 to be sold to members and resi-

dents of the district, to be redeemable by the club at stated intervals, forming a safe investment, but with the interest not guaranteed.

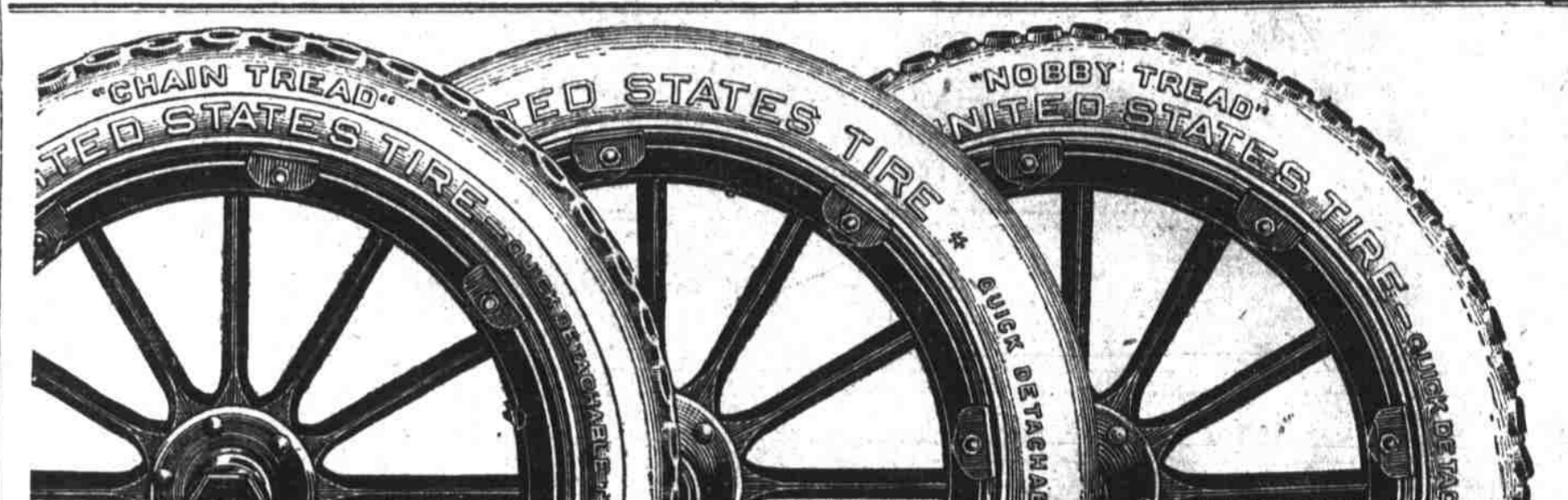
The present playgrounds of the club are not adequate for the systematic handling of the great number of children in the district. The plan of the Irvington club is to provide facilities for all its members every day in the week.

The club has been conducting a series of meetings of members and residents of the community in connection with its campaign to secure 175 life members. A new committee of women members has been formed to further the campaign. It is composed of Mrs. J. E. Cameron, Mrs. Frank Kerr, Mrs. W. J.

Hofmann, Mrs. H. M. Haller and Mrs. Frank S. Fields, and will later expand its membership. Twenty-five life members have already been secured.

As soon as the 150 life members have been secured a campaign to secure 2000 new active members will be inaugurated. William F. Woodward, who suggested the open air gymnasium plan, expressed gratification at the splendid neighborhood spirit shown in the membership campaign.

Swedish Steamship Sinks.
Bodo, Norway, Dec. 6.—The Swedish steamship Malmberget sank in a storm off here yesterday and 46 sailors were drowned.



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