

# Principal Plus Interest equals \$2,430,000

This spring, when it was proposed to appropriate \$7,000 for a survey, preparatory to purchasing the water works in Salem from the Oregon-Washington Water Service Company, 134 citizens of Salem—bankers and business men—advised against the measure at that time.

The appropriation would have constituted the first step in the city's assuming the ownership and operation of the water works—a procedure which in this day of dizzy economics, is very, very imprudent.

## Business Interests Veto Plan

Your bankers are the men who, above all others, have the prosperity of Salem at heart. They are conservative. From long years of experience they have learned that when it comes to assuming heavy liabilities—when it comes to mortgaging the home or the plant or the city—it pays to be conservative—to make haste slowly.

George Washington is authority for the statement that the men in whose company you will improve most, will be found to be the least expensive to you.

There's no better company on earth for the sane, sensible and prudent citizens of Salem, than their bankers and business men.

These men say it isn't wise, at this time, with economic conditions as they exist the country over, for the city of Salem to burden itself with a charter amendment calling for the adoption of a \$1,200,000 bond issue with which to take over the local water plant.

Their objection is sane.

## Huge Deficit Inevitable

If issued and disposed of, the bonds, according to present plans, would be retired from 20 to 40 years.

Say the 40-year tenure applied:

The first year interest would amount to \$60,000; the principal to be retired, \$30,000. That's \$90,000 that the city would have to fork over the first year after the purchase of the water plant.

The proponents of the municipal ownership plan tell you, without cracking a smile, that they'd pay for the plant and its operation out of the revenue.

The net operating income of the Water Company for the year ended December 31, 1929, was \$66,151.40

If the city, operating its own water plant could do as well (and we doubt that they could, because we're experts at the water business and the city operators would be mere novices), but if they did operate the plant as economically the first year, as we did in 1929, after they'd paid \$60,000 interest and had retired \$30,000 worth of bonds, there would remain a deficit, that first year, of nearly \$24,000 that the citizens of Salem

would have to dig down into their pockets and pay off. That's only the first year.

## Annual Deficit Continues

The second year, the interest would amount to \$58,000. That with a \$30,000 redemption, would amount to \$88,000. Subtract \$66,000 from \$88,000 and what you have left represents the deficit the citizens of Salem would have to shoulder the second year.

The third year, interest and principal retired would amount to \$87,000. Subtract \$66,000 from that and study the result.

The fourth year, interest and redemption would total \$85,000. Again subtract \$66,000 from that and do some more thinking.

The fifth year, interest and principal retired would be \$84,000; and if you haven't lost heart by this time, subtract once more and then . . . . .

Add the deficit of each year for the first five years and you have a grand total of approximately \$104,000 that would have to be met, directly or indirectly by every man, woman and child in Salem.

## Future Unprovided For

Another interesting thing to note in this connection is, that when the \$1,200,000 worth of bonds finally were retired, the city would have paid in interest \$1,230,000—that is, the citizens of Salem would have had to pay back the original \$1,200,000 they borrowed, plus \$1,230,000 interest.

And of course that makes no provision for the vast sums that would have to be expended, in that period, for betterments and extensions. For as Salem grows, the water works must expand. If the water works lag behind the development of a city, outside capital turns away in disgust and the city gets to be known as a "has been."

Contrast all that with what the water company already has done and is planning to do in Salem. We've been here three years now and have already invested, beyond our original purchase price, \$564,000 in betterments and extensions—and we're planning twenty years ahead. **AND WE PAY BACK IN TAXES IN SALEM 12 CENTS OUT OF EVERY DOLLAR WE COLLECT FROM ALL SOURCES IN SALEM.**

And then ask yourself: Suppose Salem goes on record Primary Day as being willing to bury itself under an avalanche of debt by adopting the bond issue, what advantage would it secure that at the present moment it does not possess under the existing operation of a publicly-rated, privately-owned plant?

## Football for Politicians

The little group of unsound economists who are clamoring for the city to take over the water works fail to tell you interesting little sidelights on the situation.

All they talk about are the other cities in the country that have taken over their own water plants. They "point with pride" to these places.

They ought to tell you—it's their duty to tell you—that a majority of those "fortunate cities" operating their own water

works on a "self supporting" basis, are paying for their "cheap" water in increased taxes in other directions.

The politicians got them into the municipal ownership muddle and naturally, they are not going to admit defeat by increasing the water rates to make up the deficit that their mismanagement incurs. So they conceal the deficit by manipulating tax returns from other sources.

## California's Rude Awakening

San Francisco took over its water plant March 1 and in less than ten days the Board of Supervisors were in a political squabble. The fight is still on and the rate payers and the tax payers aren't saying anything. There's nothing to say. They had their say when they turned the plant over to the politicians. All they're doing now is reaching for their pocketbooks—bowing to the inevitable and smothering their chagrin.

Take the East Bay cities in California, Oakland, Berkeley and Alameda, that took over the private property of the East Bay Water Company, by force.

The quality of service has fallen off, rates have gone up and taxes have increased enormously.

The whole story is told in the following newspaper editorial, appearing in the Bakersfield Californian, under date of May 2:

"Government ownership of public utilities is not as attractive as a good many people would like to believe, when an analysis is made of a venture in a given municipality. Recently, a survey was made of the town of Alhambra which supplied water to residents and the figures show that not only is the system not self-supporting but there is an annual deficit that must be made up by taxation. The survey discloses that the city received in revenue \$183,000, while operation cost \$110,000; depreciation footed \$64,000 and the interest and redemption of water bonds amounted to \$58,000, leaving a deficit to be collected by taxes in the sum of \$49,000. The figures are interesting in view of the fact that every so often communities in California that are served by private enterprise, face an agitation in behalf of municipal ownership."

In Los Angeles, where the city owns and operates the water works, the income last year was \$1,061,000. Operating expenses were \$2,600,000. A deficit made up by general taxation.

## Portland Likewise Pays

In 1928 the City of Portland, operating its own water plant, had a deficit of \$114,476.63. The City Club of Portland estimates that deficits for succeeding years will range from \$107,000 in 1929 to \$225,000 in 1934. That deficit will have to be met by general taxation.

Nine-tenths of wisdom consists in being wise at the right time.

Follow the advice of your bankers and business men who say:

"THIS IS NOT THE TIME FOR SALEM TO ENGAGE IN THE WATER BUSINESS."

## Vote NO on the Bond Issue

(Paid Adv.)

OREGON-WASHINGTON  
WATER SERVICE CO.  
SALEM