

FEDERAL RESERVE BANK OF SAN FRANCISCO

June 19, 1933

Federal Reserve Board,  
Washington, D. C.

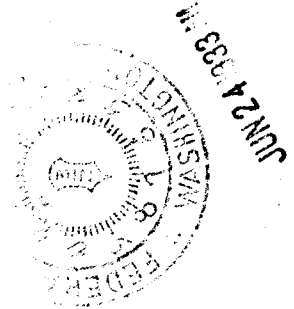
Dear Sirs: Subject: Seattle School District Warrants

Referring to our letters of May 27th and June 3d, we enclose copy of letter from Mr. Frank S. Bayley, dated June 9th, and copy of our reply, dated June 17th, continuing discussion with regard to the Federal Reserve Bank purchasing Seattle School District Warrants.

Yours very truly,

*John J. ...*  
Governor

Enclosures



#12

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*File*

*See Book #158*

June 17, 1933

Mr. Frank S. Bayley,  
Pres., Board of Directors,  
School District Number 1,  
Central Building,  
Seattle, Washington.

Dear Mr. Bayley:

I have received and carefully considered the contents of your letter of June 9, 1933 relative to your application for the purchase of School District Warrants by this bank. I have also read the letter addressed to you upon this subject by Mr. Ira Clerk, Deputy Governor of this Bank, and the memorandum opinion dated June 2, 1933 addressed to Mr. Clerk by our counsel.

I can assure you that it is our disposition to be of the utmost assistance to the communities embraced within this District during these somewhat trying times, and that if we could discover a way by which we could take the action which you request within the limitations of the law under which the Federal Reserve Banks operate, we would do so. In view of the opinion expressed by our counsel, however, that the Warrants issued by the School District are not eligible for purchase by a Federal Reserve Bank under the provisions of the Federal Reserve Act and the Regulations of the Federal Reserve Board, I must advise you that we can not make the investment which you suggest.

It seems clear to me that the instruments under consideration are not of the character referred to in Section 14 (b) of the Federal Reserve Act. They have no definite maturity whereas the Act provides that Warrants purchased must have a maturity from date of purchase of not exceeding six months. It is also provided that Warrants purchased must be issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues. Even the most liberal construction of the instruments under consideration do not come within that classification. While it is true that neither the Federal Reserve Act nor the Regulations of the Federal Reserve Board specifically provide that instruments of the character referred to in Section 14 (b) must be negotiable

Mr. Frank S. Bayley

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June 17, 1933

in form as well as in fact, you will readily understand that this Bank cannot invest its funds in instruments which may become subject to equities and rights of set-off in behalf of prior parties. The foregoing is my mature conclusion after having given the entire matter the most careful consideration.

I may say however, that all correspondence in connection with this matter has been forwarded by copy to the Federal Reserve Board. If, in the opinion of the Federal Reserve Board or its counsel, the conclusions which we have reached in this matter are considered erroneous or unduly technical, we will no doubt be so advised in which event we shall be glad to give the matter further consideration.

Yours very truly,

*Ino. U. Calkins (signed)*

Governor.

SEATTLE PUBLIC SCHOOLS  
Office of the Superintendent  
Central Building  
Seattle, Washington

June 9th 1933

Mr. J. U. Calkins, Governor,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Mr. Calkins:

I received your letter of June 3rd, signed by Mr. Clerk, Deputy Governor, and addressed to me as President of the Board of Directors of School District No. 1, and wish to thank you for the consideration given to our application for the purchase of School District warrants by the Federal Reserve Bank. Naturally, we are much disappointed in the conclusion reached in Mr. Clerk's letter, but in view of the importance of the matter to the City of Seattle, we are not disposed to accept his letter as final.

You may recall the somewhat famous remark of Mr. John Ryan regarding Elihu Root as an attorney. Mr. Ryan said the reason he liked Mr. Root as a lawyer was because when other lawyers told him what he could not do, Mr. Root found a way for him to do what he wanted to do. This attitude towards present day problems has no finer example than that of President Roosevelt who seems determined, where he discovers a pressing need, to remedy it, even if in doing so he is obliged to override the technicalities of conservatism and the easy answer that it can't be done. We feel that the present situation of School District No. 1 in this city presents such a need that it is entitled to have the most earnest consideration, regardless of technicalities, provided a safe, sound and proper basis of relief can be discovered.

We are not inclined to argue about the legal opinion of Mr. Agnew, but do feel that, granting his conclusion to be sound, it is still possible for the Federal Reserve Bank, in line with the Government's general attitude at this time, to afford us relief with both propriety and safety. I, therefore, take the liberty of making some comments on the two objections or points which seem to stand in the way of your favorable action on our petition.

With reference to the objection that our warrants are not issued in anticipation of the collection of taxes, or of the receipt of assured revenue, it seems to me that this is obviously super-technical. The School Board's annual budget is based entirely upon its authorized tax levy, upon property within the School District, and upon its portion of school funds covered by the County and State tax levies. These two

- 2 -

latter amounts are estimated for us by the proper authorities of the County and State, and levies are laid on taxable property for the purpose of raising them. We are obliged by law to limit our expenditures to the combined sum of these tax revenues. As a matter of fact, the taxes are paid in at various times during the year, a considerable portion being paid in the Spring and another considerable portion waiting until the late Fall. Because of this spread in the payment of the taxes, the District is generally obliged to go on a so-called "warrant basis" in the late Spring or Summer. The warrants which are drawn by the District are, as you have observed, orders from the County Treasurer of the payment of the face of the warrant out of school funds available therefor. Please remember that no warrant is drawn for an amount in excess of the taxes levied and payable. Therefore, regardless of the fact that the warrants do not say anything on their face to the effect that they are issued in anticipation of the collection of taxes, such is obviously the fact. This fact, it seems to us, should be sufficient to bring the warrants within the provisions of the Federal Reserve Act, Section 14 B. We assume that the Bank is interested not so much in form as it is in substance, but undoubtedly it would not accept warrants no matter how they were labeled if facts did not support the description given. In our case, the facts speak for themselves and do comply with the provisions of the law. Therefore, it seemed that the lack of descriptive matter on the face of the warrant should be immaterial. Within the past thirty days, King County, Washington, has collected over seven million dollars of taxes, a large portion of which goes to School District No. 1, with an additional substantial amount coming through the County and the State. Furthermore, School District No. 1 will have called for payment and redeemed during the months of May and June, approximately two million of its outstanding warrants. It will also interest you to know that the Banks of this city have held and owned at various times since January 1st 1933, as high as ten million dollars of warrants of exactly the same type as used by School District No. 1. A total of fifteen million of similar warrants are held by Banks throughout the State. No Bank has ever suffered a loss on account of the warrants of School District No. 1.

As to the second objection in the matter of the negotiable form of the warrants, we are unable to find, either in the provisions of the Federal Reserve Act, Section 14 B, or in the printed regulations of the Federal Reserve Board, being Regulation E, Series of 1928, any direct statement that such warrants must be in strictly negotiable form. In the data supplied to the Seattle Manager of the Federal Reserve Bank, a statement was made that the warrants were not in negotiable form, but we did point out that, to the best knowledge and information of the members of the Board of Seattle School District No. 1, no bank or bona fide investor in School District Warrants, such as are issued by School District No. 1, had ever suffered loss because of non-negotiable form. Mr. Shaw's letter of May 17, 1933, asked that information be supplied him that such warrants be negotiable "in fact" and this information we attempted to supply.

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In view of the very obvious and energetic determination of the Federal Government to be helpful in cases of extreme and worthy need where practical and reasonable methods of doing so can be worked out, we strongly feel that our case deserves reconsideration at your hands and the exercise of every possible liberality of interpretation of your requirements, in order that our need may be met. If we were presenting the request unwarranted in fact, and unsafe if granted, we might feel differently, but the facts above cited seem to us to point conclusively not only to the desirability of favorable consideration, but to the safety of the Bank in granting the same.

May we, therefore, ask that the matter be earnestly reconsidered?

Very truly yours,

Frank S. Bayley (signed)

President, Board of Education  
Seattle School District No. 1.

FSB:SB

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JUN 20 1934

3332(12)

Honorable Homer T. Bone,  
United States Senate,  
Washington, D. C.

Dear Senator Bone:

Your letter of June 10 addressed to Governor Black, together with inclosures, has been referred to this office for reply. As indicated in Mr. Bayley's letter to you, copies of the material regarding General Obligation Warrants of School District No. 1, Seattle, Washington, were forwarded by him to Governor Black, and we are returning herewith the inclosures transmitted with your letter.

This matter was taken up with the Federal Reserve Bank of San Francisco and on June 3 the Deputy Governor of that bank addressed a letter to Mr. Bayley which reads, in part, as follows:

"Through the Managing Director of our Seattle Branch, we have been furnished with a specimen of the outstanding 'warrants' to which you apparently refer and which the Reserve Bank was petitioned to purchase. This instrument, we find, is a disbursement draft drawn on the Treasurer of King County. It has been presented for payment but not discharged because of want of funds.

"At the time of offering such a warrant to the Federal Reserve Bank, it would be past due and without a definite date of maturity.

"It is the opinion of our Counsel that such warrants are not eligible for purchase by Federal Reserve banks under the provisions of the Federal Reserve Act and regulations of the Federal

FILE COPY

Honorable Homer T. Bone - (2)

Reserve Board. We regret to inform you, therefore, that we cannot acquire them for investment."

For your information in this connection there is inclosed copy of the Board's Regulation "E" regarding the purchase of warrants.

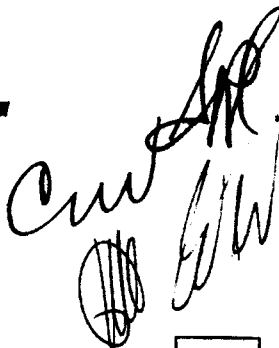
Very truly yours,

(Signed) Chester Morrill

Secretary.

Inclosures.

ydv

Handwritten signatures and initials, including a large signature that appears to be 'C. Morrill' and other initials.

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PARK TRAMMELL, FLA., CHAIRMAN	
DAVID I. WALSH, MASS.	FREDERICK HALE, ME.
MILLARD E. TYDINGS, MD.	JESSE H. METCALF, R.I.
ELLJ D. SMITH, S.C.	PHILLIPS LEE GOLDSBOROUGH, MD.
GEOI MC GILL, KANS.	HAMILTON F. KEAN, N.J.
RICHARD B. RUSSELL, JR., GA.	JAMES J. DAVIS, PA.
HOMER T. BONE, WASH.	HENRY W. KEYES, N.H.
HARRY FLOOD BYRD, VA.	HIRAM JOHNSON, CALIF.
WILLIAM H. DIETERICH, ILL.	

ED AHEARN, CLERK

# United States Senate

COMMITTEE ON NAVAL AFFAIRS

3332(12)

June 10, 1933.

JUN 13 1933  
 FEDERAL RESERVE BOARD  
 WASHINGTON, D. C.

Hon. Eugene R. Black, Governor,  
 Federal Reserve Board,  
 Washington, D. C.

Dear Governor Black:

I am inclosing a letter and documents which I have received from Mr. Frank S. Bayley, President of the Board of Directors, Seattle School District No. 1 regarding the purchase of certain outstanding General Obligation Warrants of the First School District. I hope very much it will be possible for you to authorize the purchase of these Warrants.

Sincerely yours,

*Homer T. Bone*

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FEDERAL RESERVE BANK OF SAN FRANCISCO

June 3, 1933.

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FEDERAL RESERVE BANK OF SAN FRANCISCO  
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Federal Reserve Board,  
Washington, D. C.

Dear Sirs:

Seattle School District  
Warrants

Referring to your letter of May 17, and ours of the 27th, we have today responded to Mr. Frank S. Bayley, President of the Board of Directors of the Seattle School District No. 1, to the effect that the warrants which it was proposed to offer the Federal Reserve Bank of San Francisco would not be eligible for purchase under the existing provisions of the Federal Reserve Act and regulations of the Federal Reserve Board.

A copy of our letter to President Bayley is enclosed, and also a copy of an opinion of Counsel Agnew.

Yours very truly,

Deputy Governor.

Enclosures

# FEDERAL RESERVE BANK OF SAN FRANCISCO

June 3, 1933.

Mr. Frank S. Bayley,  
President, Board of Directors of School District No. 1,  
Seattle Public Schools,  
Central Building,  
Seattle, Washington.

Dear Mr. Bayley:

Under date of May 13, you forwarded to Governor Calkins a copy of a resolution adopted by your Board of Directors requesting the Federal Reserve Bank of San Francisco to purchase certain outstanding general obligation warrants of Seattle School District No. 1.

Through the Managing Director of our Seattle Branch, we have been furnished with a specimen of the outstanding "warrants" to which you apparently refer and which the Reserve Bank was petitioned to purchase. This instrument, we find, is a disbursement draft drawn on the Treasurer of King County. It has been presented for payment but not discharged because of want of funds.

At the time of offering such a warrant to the Federal Reserve Bank, it would be past due and without a definite date of maturity.

It is the opinion of our Counsel that such warrants are not eligible for purchase by Federal reserve banks under the provisions of the Federal Reserve Act and regulations of the Federal Reserve Board. We regret to inform you, therefore, that we cannot acquire them for investment.

There is enclosed a copy of a memorandum prepared by our Counsel, Mr. Albert C. Agnew, which points out the salient features about these warrants which leads to the determination of this decision.

Yours very truly,

  
Deputy Governor.

Enclosure.

June 2, 1933.

Re: Seattle School District No. 1 -  
Warrants - Eligibility for  
Purchase by Federal Reserve  
Bank of San Francisco.

MEMORANDUM TO: MR. CLERK.

FROM: MR. AGNEW.

I have examined the correspondence passing between you and the Seattle Branch relative to the above matter, as well as the following correspondence:

Letter dated May 17, 1933, addressed to this bank by Arthur M. Hare of the Prosecuting Attorney's Office of King County, Washington;

Letter dated May 19, 1933, addressed by Dietrich Schmitz, Vice-President, Board of Directors, Seattle Board of Education, to the Seattle Branch of this bank;

Letter dated May 13, 1933, addressed by Frank S. Bayley, President, Board of Directors, Seattle School District No. 1, to Governor Calkins;

Letter dated May 17, 1933, addressed by Mr. Morrill, Secretary of the Federal Reserve Board, to Governor Calkins;

and various other correspondence relative to the above matter.

It is my opinion that the warrants issued by Seattle School District No. 1, photostatic copies of specimens of which were submitted with Mr. Schmitz' letter of May 19, 1933, are not eligible for purchase by a Federal Reserve Bank. My opinion is predicated upon the following:

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PROVISIONS OF FEDERAL RESERVE ACT:

Section 14(b) of the Federal Reserve Act empowers Federal Reserve Banks -

"to buy and sell \*\*\* warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any \*\*\* district, political subdivision or municipality \*\*\* such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board."

REGULATION OF THE FEDERAL RESERVE BOARD:

Regulation E of the Federal Reserve Board, governing the conditions under which the tax anticipation warrants referred to in Section 14 of the Federal Reserve Act may be purchased by Federal Reserve Banks, provides (Section III) that warrants may be purchased provided they are issued in anticipation of taxes or revenues which are due and payable on or before the date of maturity of such warrants. This condition, as to the taxes and revenue being due and payable on or before the maturity of the warrant, may be waived by the Board in specific cases.

NEGOTIABILITY OF THE WARRANTS:

The warrants referred to, and upon which this opinion is predicated, are clearly non-negotiable in form. They constitute drafts drawn by the School District on the treasurer of the county. They are expressly made payable "out of any money in the general or special school fund not otherwise appropriated." They further provide that interest at 5% per annum shall be allowed from the date the warrant is registered until it is called. The specimens submitted contain upon the reverse side thereof the following legend:

"Presented and not paid for want of funds.

Apr 5-1933

GEO. G. WITTENMYER

Treasurer, King Co., Wash."

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Admittedly, these instruments are drawn on the school fund in the hands of the treasurer and it is understood that they will not be paid upon presentation if the fund is insufficient. This is evidenced by the fact that an express provision is made for the payment of interest from the date of presentation until payment.

I have carefully examined the letter dated May 17, 1933, addressed to this bank by Mr. Hare of the Prosecuting Attorney's Office, King County, Washington. Mr. Hare's argument in substance is that while the warrants are admittedly non-negotiable in form, they are negotiable in fact and are subject only to the defense arising out of want of consideration as between the drawer and the payee of the warrant. I am unable to agree with Mr. Hare in this conclusion. His opinion is predicated upon the following cases which he cites:

FIDELITY TRUST COMPANY vs. PALMER,  
22 Wash. 473; 61 Pac. 158.

CITY OF MARKUS vs. OFNER, 103 Wash. 478;  
175 Pac. 31.

WOODWORTH vs. SCHOOL DISTRICT NO. 2,  
103 Wash. 677; 175 Pac. 321.

The cases above referred to hold in substance that while a warrant of the kind mentioned may be non-negotiable in form, it is negotiable in fact; that is, it possesses qualities of negotiability in so far as the manner of transfer of title is concerned and is, therefore, not subject to equities as between prior parties except that it is open to any defense which might have been made to the claim upon which it is founded. Mr. Hare, however, fails to cite later decisions rendered by the Supreme Court of the State of Washington, in which the theory set forth in the cases above cited is quite definitely repudiated. I refer particularly to the following cases:

BANK OF CALIFORNIA vs. NATIONAL CITY COMPANY,  
244 Pac. 690; 138 Wash. 517.

BANK OF CALIFORNIA vs. NATIONAL CITY COMPANY,  
251 Pac. 561; 141 Wash. 243.

JONES v. AMERICAN SAVINGS BANK & TRUST CO.  
247 Pac. 1017; 139 Wash. 598.

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MANKER vs. AMERICAN SAVINGS BANK & TRUST CO.,  
230 Pac. 406; 131 Wash. 430.

HARPER & SON vs. PACIFIC POWER & LIGHT CO.,  
255 Pac. 949; 143 Wash. 456.

Attention is also directed to the case of -

MARYLAND CASUALTY CO. vs. GRAYS HARBOR COUNTY,  
293 Pac. 441; 159 Wash. 356.

The latter case, while not directly in point, indicates the extent to which the right of set-off might be exercised against instruments of the character under consideration.

While it is true that in the cases cited by Mr. Hare, the Supreme Court of Washington had taken the somewhat anomalous position that instruments non-negotiable in form might be considered for some purposes as negotiable in fact, the same court in the case last above cited repudiates this theory and holds definitely that instruments of this character, being non-negotiable in form and not in compliance with the Negotiable Instruments Act, are non-negotiable for all purposes and subject to any and all equities as between prior parties.

In the case of -

BANK OF CALIFORNIA vs. NATIONAL CITY COMPANY,  
141 Wash. 243; 251 Pac. 561,

the court uses the following language, which is illustrative of the position taken in the other cases referred to:

"In the Manker case, it was held that, in order for an instrument to be negotiable, it must conform to the requirements of negotiability laid down in the Uniform Negotiable Instruments Act of this state, and that an instrument which does not so conform is non-negotiable in every sense. In other words, that there are no two standards of negotiability; that an instrument is negotiable for all purposes or non-negotiable for all purposes, depending upon whether it measures up to the requirements of the act. Prior decisions of this court were referred to in the Manker case and,

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in effect, reversed in so far as they might indicate the adoption of the theory that there are two standards of negotiability and, in so far as the department opinion in this case inferentially revived that theory, that language is now withdrawn from the opinion."

The court in this decision adopts and follows the decision in the Manker case, and while the facts in that case are not comparable to those now under consideration, the theory laid down in the Fidelity Trust Company case and the others cited by Mr. Hare is definitely repudiated.

Illustrative of the defenses which may be raised to warrants admittedly non-negotiable in form is the case of -

ADAMS COUNTY vs. RITZVILLE STATE BANK,  
154 Wash. 140; 281 Pac. 332,

in which case, the bank having purchased the warrants in good faith was denied the right to recover thereon as against the county because the warrants were issued against a padded payroll. The non-negotiability of the instruments and the right of the county to defend for lack of consideration was admitted.

The warrants here under consideration have no definite maturity and being drawn against a specific fund and payable only out of any money in such fund not otherwise appropriated are clearly non-negotiable in law as well as in fact.

NON-COMPLIANCE WITH SECTION 14 OF THE ACT:

The instruments under consideration do not, in my opinion, comply with the provisions of Section 14(b) of the Federal Reserve Act. The instruments therein referred to are those "with a maturity from date of purchase of not exceeding six months". These warrants have no maturity. The act also provides that warrants eligible for purchase must be "issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues". The instruments here under consideration are not so issued but are in effect drafts drawn on school funds in the hands of the county treasurer.



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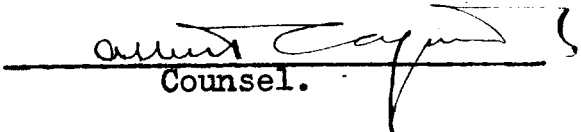
RIGHT OF SCHOOL DISTRICT TO ISSUE TAX ANTICIPATION WARRANTS:

At your request, I have examined the Washington statutes and am unable to find therein any provision which would authorize school districts to issue tax anticipation warrants to meet current expenses. Power to issue tax anticipation warrants was granted to school districts by Section 1, page 297, Laws of 1895 (Sec. 5624, Remington's Revised Statutes). The annotator of the Revised Statutes states that the chapter was intended to be repealed by Chapter 257 of the Laws of 1897 (page 448) but that the title of the act of 1897 omits mention thereof. Consequently, so the annotator states, this chapter is retained in force as to all corporations therein named except school districts. It is presumed that the exception of school districts is predicated upon the later adoption of the statute specifically regulating such districts and defining their corporate powers (Remington's Revised Statutes, Sec. 4694, et seq.).

I have carefully examined the general statutes governing school districts and do not find therein any provision which either directly or by legal implication confers upon school districts the right to issue tax anticipation warrants. It is my opinion that in the State of Washington school districts do not have such powers.

It is noted, however, that under the provisions of Sec. 4941, Remington's Revised Statutes, the Board of Directors of a school district is given power to borrow money and issue negotiable coupon bonds therefor for the purpose of funding outstanding indebtedness and for other purposes. Limitations are placed upon the amount of money which may be so borrowed and the conditions under which the bonds may be issued. Perhaps, the difficulty in which the Seattle School District finds itself might be relieved through the exercise of the privileges given under this section. It would seem that bonds so issued, negotiable in form, would constitute an avenue of credit not otherwise available.

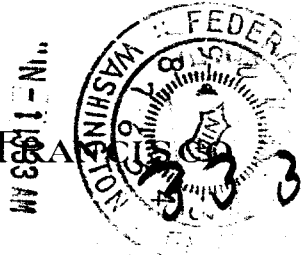
We have not yet received the 1933 Session Laws of Washington. My investigation of the right of school districts to issue tax anticipation warrants does not, therefore, cover statutes adopted at the last session of the Legislature.

  
Counsel.

ACA:MA

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FEDERAL RESERVE BANK OF SAN FRANCISCO



May 27, 1933

Federal Reserve Board,  
Washington, D. C.

Dear Sirs:

Under date of May 13th, Mr. Frank S. Bayley, President of the Board of Directors of ~~Seattle School District No. 1~~, communicated with the Federal Reserve Board and Federal Reserve Bank of San Francisco regarding the purchase of warrants of Seattle School District No. 1.

It appears that Seattle banks were carrying approximately \$3,000,000 of these warrants and had declined to extend their holdings, probably due to the uncertainty of tax collections. A change has taken place, however, in that the District is supposed to have called \$800,000 in warrants for payment May 21st, and will call an additional \$800,000, June 10th.

The Seattle Clearing House Association has voted to cash all warrants to be issued June 5th and 12th, aggregating approximately \$1,000,000, as well as the remainder of the warrants outstanding.

The situation has deviated from a solicitation of the Federal Reserve Bank to offer immediate relief to an inquiry, both by the School District and the Seattle Clearing House banks, as to whether the Federal Reserve Bank would purchase such warrants if no other outlet were available.

It should be mentioned that these warrants are merely demand drafts (checks), drawn on the County Treasurer by the School District and marked payable

"out of any money in the central or special School Fund not otherwise appropriated."

The warrants now under discussion are issued to teachers, for instance, and bear on their face the statement:

"Interest at 5% per annum allowed hereon from date registered until called."

Coincident with the date of the warrant, there is stamped on its reverse side:

"Presented and not paid for want of funds \_\_\_\_\_ date.

Geo. W. Wittenmyer  
Treasurer, Kings County, Washington."

Federal Reserve Board - - 2

May 27, 1933

According to the Chairmen of the Finance Committee of the Board of Education, the School District has not power to issue and offer for sale tax anticipation warrants. However, this will be more fully investigated.

The warrants under discussion are non-negotiable, have no definite date of maturity, and, therefore, we feel that in their present form they are not a desirable investment for the Federal Reserve Bank.

Before responding to President Bayley, we desire Counsel (who is at present out of town) to investigate some legal points in regard to the issuance of warrants by Washington School Districts. When reply is made to President Bayley, a copy will be forwarded to the Federal Reserve Board.

Yours very truly,

  
Deputy Governor.

Suspense file  
6/21/33  
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FEDERAL RESERVE BANK OF SAN FRANCISCO

333.2 (12)

May 22, 1933

Mr. Chester Morrill,  
Secretary, Federal Reserve Board,  
Washington, D. C.

Dear Mr. Morrill:

In your letter of May 17th, you enclosed copy of a resolution and other material submitted to the Board by Frank S. Bayley, President of the Board of Directors of Seattle School District No. 1, which we are returning for your files as requested.

Under date of May 15th we received a similar letter from Mr. Bayley with enclosures, and immediately took steps to determine the legality, eligibility and acceptability of warrants which it was proposed would be offered to the Federal Reserve Bank for purchase.

We shall communicate with the Board as soon as the information requested through our Seattle office has been received, and final reply is made to Mr. Bayley.

Yours very truly,



Deputy Governor.

SEATTLE SCHOOL DISTRICT NO. 1

STATUS OF GENERAL FUND  
AS TAKEN FROM MONTHLY STATEMENT AS OF MARCH 31, 1933

Uncollected Taxes:	March 31, 1932	\$ 3,062,600	
	March 31, 1933	<u>\$ 3,911,000</u>	
		INCREASE .....	\$ 848,400
Co. Treas. Cash Balance:	March 31, 1932	764,700	
	March 31, 1933	<u>847,300</u>	
		INCREASE .....	1,612,000
Warrants Outstanding:	March 31, 1932	1,576,200	
	March 31, 1933	<u>3,357,300</u>	
		INCREASE .....	1,781,100
	Deduct: Increase in Cash Balance -		<u>1,612,000</u>
	INCREASE FOR YEAR ENDED MARCH 31, 1933 in CURRENT OVERDRAFT -		169,100

RECEIPTS AND EXPENSES  
GENERAL FUND - NINE MONTHS ENDING MARCH 31, 1932-1933

Actual Receipts - all sources	1932	3,272,800	
	# 1933	<u>3,248,900</u>	
		DECREASE .....	23,900
Actual Expenses	1932	4,242,200	
	1933	<u>3,480,100</u>	
		DECREASE .....	762,100
Excess Expenditures over Receipts	-- 1932	\$969,400	
" " " "	-- 1933	231,200	

# Discount tax date extended by action of legislature from March 15th to May 15th.

For Details See Schedule A

SEATTLE SCHOOL DISTRICT NO. 1

Statement C

Statement of Expenditures and Receipts, Month of March, 1933

GENERAL FUND

EXPENDITURES	CURRENT MONTH OF <u>March</u> 193 <u>3</u>	TOTAL FOR CURRENT PERIOD OF <u>9</u> MO. TO <u>March 31</u> , 193 <u>3</u>	TOTAL FOR SAME PERIOD LAST YEAR	BUDGET	UNEXPENDED BUDGET
<b>Reserves- Budget Items Only</b>				<b>19 758 69</b>	
<b>A. ADMINISTRATIVE:</b>					
1. Secretary's Office	266 58	3 070 13	4 270 19	5 260 20	19 768 79
2. Comptroller's Office	932 67	8 026 59	9 438 93	12 370 00	2 190 71
3. Election and Census	360 35	4 476 43	727 03	15 500 00	4 343 41
4. Legal	40 10	182 20	191 70	100 00	11 023 57
5A. Rent	1 500 00	13 500 00	13 500 00	18 000 00	4 500 00
5B. Operation and Maintenance Whse and Shop	569 02	5 253 17	5 454 44	5 360 00	506 83
6A. Supplies	663 75	7 519 34	10 550 97	11 666 20	4 146 86
6B. Bldgs. and Grounds	723 13	5 764 68	5 900 57	9 840 80	4 076 12
7. Superintendent of Schools	3 719 42	31 196 07	35 976 28	46 071 20	14 875 13
8. Enforcement of Compulsory Education, Etc.	2 604 35	21 576 35	26 208 74	32 462 70	10 886 35
9. Retirement Fund	59 29	756 78	991 39	1 343 60	586 82
10. Other Expenses	1 228 43	18 312 51	20 392 02	23 415 00	5 102 49
<b>TOTAL ADMINISTRATIVE</b>	<b>12 667 09</b>	<b>129 634 25</b>	<b>133 602 26</b>	<b>181 389 70</b>	<b>61 755 45</b>
<b>B. INSTRUCTION:</b>					
11. Salaries Supervisors and Directors	3 308 95	25 888 67	37 724 86	41 563 00	15 674 43
12. Other Expenses Supervisors and Directors	367 21	2 495 25	3 782 74	4 950 00	2 454 55
13. Salaries—Principals, Vice-Prin. and Clerks	29 037 12	210 834 36	264 095 50	351 654 30	134 819 94
14. Other Expenses	337 28	1 016 50	1 105 36	1 300 00	283 50
15. Salaries Teachers					
(a) High	109 269 81	786 279 28	930 581 03	1 277 962 57	491 683 29
(b) Junior High	28 293 82	202 911 25	230 013 95	319 600 42	116 689 17
(c) Grade	158 885 27	1 174 426 77	1 429 712 99	1 973 024 85	798 598 08
(d to 1) Specials	21 676 80	162 136 00	207 359 05	258 078 80	95 942 80
16. Books	1 288 74	34 989 59	58 648 64	45 714 00	10 724 41
17. Stationery and Supplies	2 079 17	77 411 89	103 940 47	91 686 00	14 274 11
18. Other Expenses	94 16	889 84	1 300 75	3 450 00	2 560 16
<b>TOTAL INSTRUCTION</b>	<b>354 638 93</b>	<b>2 685 279 40</b>	<b>3 268 265 34</b>	<b>4 368 983 94</b>	<b>1 683 704 54</b>
<b>C. OPERATION:</b>					
20. Wages	29 230 29	235 950 35	283 013 27	353 654 00	117 703 65
21. Fuel	10 592 51	84 263 03	94 758 50	119 710 00	35 445 97
22. Water	1 455 14	11 175 28	12 044 89	16 950 00	5 774 72
23. Light and Power	4 547 63	32 119 70	38 779 30	52 100 00	19 980 30
24. Janitors Bldg. Supplies	1 547 36	11 635 21	16 410 82	24 450 00	12 814 79
25. Stock Room	913 87	8 292 46	11 896 79	13 623 64	5 331 18
26. Other Expenses	356 87	2 966 59	3 209 57	4 400 00	1 433 41
<b>TOTAL OPERATION</b>	<b>48 643 67</b>	<b>386 402 62</b>	<b>460 113 14</b>	<b>584 887 64</b>	<b>198 450 02</b>
<b>D. MAINTENANCE:</b>					
27. Buildings and Grounds	2 710 45	44 063 58	95 918 20	104 050 00	59 936 42
28. Equipment	1 394 20	17 258 13	31 024 79	33 850 00	16 591 87
29. Repair Shop	1 448 06	11 199 15	17 071 84	7 200 00	3 394 15
32. Other Expenses	149 47	1 570 15	2 716 34	3 925 00	2 354 85
<b>TOTAL MAINTENANCE</b>	<b>5 702 18</b>	<b>74 091 01</b>	<b>146 731 17</b>	<b>149 025 00</b>	<b>74 933 99</b>
<b>E. AUXILIARY AGENCIES:</b>					
35. Health	3 764 67	28 680 32	32 653 25	45 482 00	16 801 68
37. Transportation	495 76	6 749 44	7 446 98	8 000 00	1 250 56
38. Insurance		465 41	557 48	1 320 00	854 59
<b>TOTAL AUXILIARY</b>	<b>4 260 43</b>	<b>35 895 17</b>	<b>40 657 71</b>	<b>54 802 00</b>	<b>18 906 83</b>
<b>F. MISCELLANEOUS:</b>					
40a. Edison Full Time School	1 964 27	17 118 71		17 569 20	450 79
40b. Part Time School	1 974 54	15 356 60		29 227 99	13 871 39
40c. Opportunity School	1 396 76	10 213 08		18 663 85	8 450 77
42a. Luther Burbank School	3 193 02	27 930 83	36 607 48	48 056 80	20 125 97
42b. Martha Washington School	1 640 57	15 926 35	20 040 63	27 304 60	11 378 25
43. Rent Sundries		80 15	8 65		
44. Moving Portables	6 54	2 279 39	1 766 67	5 000 00	2 720 61
45. Other Expenses	960 76	4 108 19	3 934 35	5 900 00	1 791 81
<b>TOTAL MISCELLANEOUS</b>	<b>11 136 46</b>	<b>92 953 30</b>	<b>62 357 78</b>	<b>151 722 44</b>	<b>58 789 14</b>
Stock	2 014 84	14 236 94	4 574 39		14 236 94
Unpaid Balances		22 735 01	38 623 94		22 735 01
<b>G. PROPERTY IMPROVEMENTS: Capital Outlay</b>	<b>56 80</b>	<b>4 420 32</b>	<b>30 728 45</b>	<b>22 100 00</b>	<b>17 679 68</b>
Interest on Warrants	8 165 36	72 508 38	65 796 10	92 625 78	20 117 40
Interest on Assessments	22 70	504 97		500 00	
<b>TOTAL EXPENDITURES</b>	<b>443 279 28</b>	<b>3 480 187 49</b>	<b>4 242 201 50</b>	<b>5 625 805 19</b>	<b>2 145 617 70</b>
<b>RECEIPTS</b>					
General Property Taxes	300 966 47	1 370 740 23	2 113 154 82	2 990 279 19	1 619 538 46
State Apportionment	149 970 65	736 543 39	741 837 18	1 716 741 00	980 197 61
County Apportionment	56 882 00	301 670 77	316 006 30	776 035 00	474 364 23
High School Apportionment	5 437 39	20 175 62	20 736 99	50 000 00	29 824 38
Smith Hughes		18 821 86	18 537 43	18 000 00	821 86
High School Bonus		4 000 00	3 900 00	4 000 00	
Miscellaneous	2 713 65	797 026 97	58 663 59	70 750 00	726 276
<b>TOTAL RECEIPTS</b>	<b>515 970 16</b>	<b>3 248 978 84</b>	<b>3 272 836 31</b>	<b>5 625 805 19</b>	<b>2 376 826 35</b>
Cash on Hand (County Treasurer)	847 394 69		764 703 99		
Warrants Outstanding (Our Books)	3357 394 38		1 576 232 90		

DISTRIBUTION OF THE SCHOOL DOLLAR  
1933-1934 BUDGET

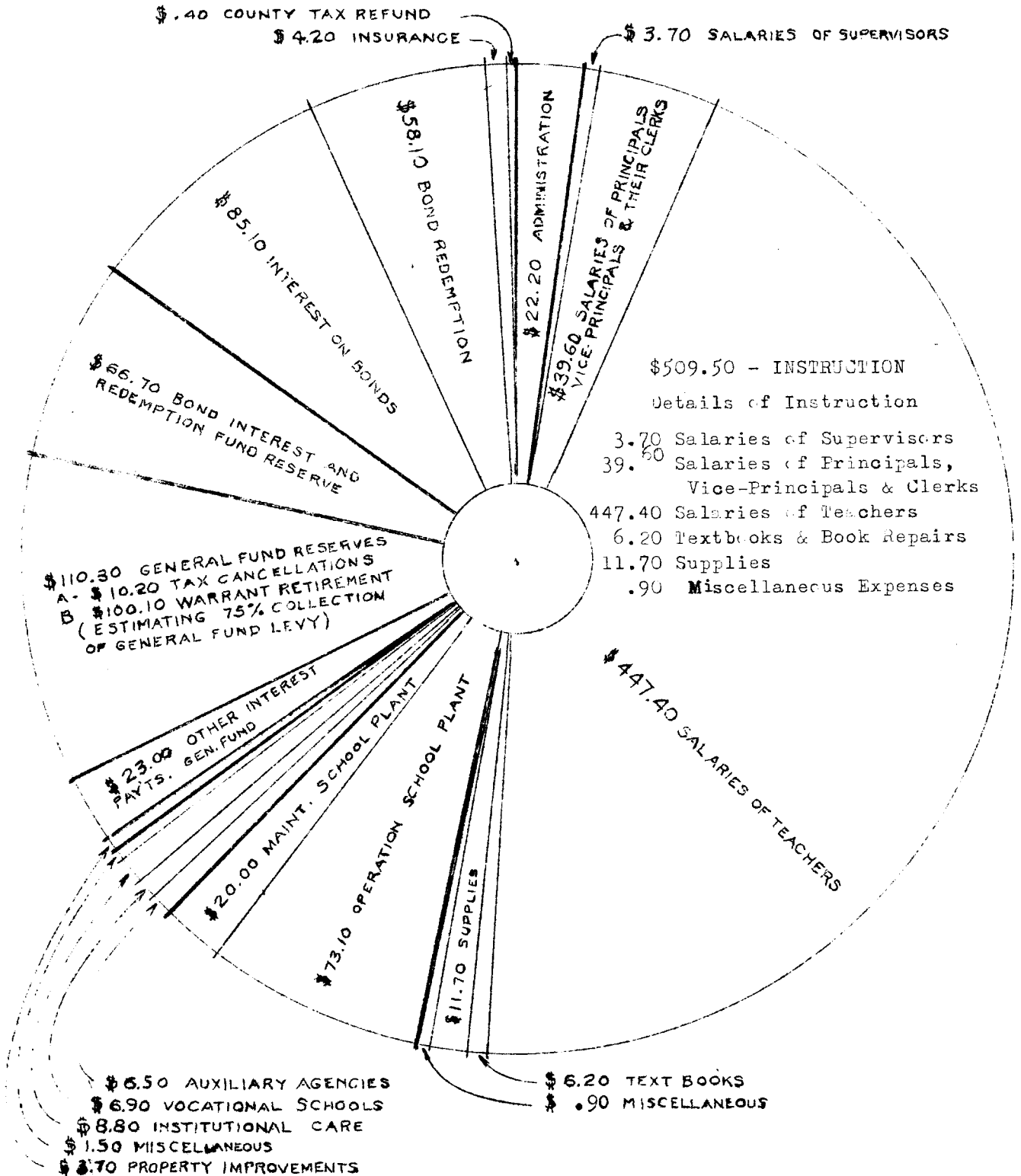
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SEATTLE SCHOOL DISTRICT NO. 1  
Seattle, Washington

SEATTLE SCHOOL DISTRICT NO. 1

DISTRIBUTION OF EACH \$1000.00 TAXES LEVIED

1933 - 1934 BUDGET





## NOTES EXPLANATORY OF DISTRIBUTION OF 1933-34 BUDGET CHART

## SEATTLE SCHOOL DISTRICT #1

Revenues for operation of the Seattle Public Schools are obtained largely from three tax sources, namely: state apportionments, county apportionments, and local tax levies on property in Seattle School District #1. In addition, other revenues such as receipts from tuition high school bonus, etc., are estimated at \$102,695 for next year.

The expenditures of the District are for two distinct purposes, namely: (1) fixed charges, such as bond interest and redemption, and (2) current operating expenses.

Fixed charges such as are represented by bond interest and bond redemption are inelastic, and during periods of lowered assessed valuations and falling off in tax collections are a serious drain upon revenues for current operating expenses.

A comparison of the budget charts for the current school year and for 1933-34 shows the proportional amounts of the school budget for fixed charges and for current operating expenses; also where retrenchments have been made and their extent.

Debt Service - \$966,182.97, or 14.78% of total budget.

Increase - \$4,421.41 over 1932-33.

(Interest on Bonds	- \$556,284.25;	Increase,	\$18,420.00
(Bond Redemption	- \$380,000.00;	Decrease,	\$14,000.00
(Insurance Fund	- \$ 27,180.66;	Increase	\$ 1.28
(County Tax Refund	- \$ 2,718.06;	Increase	.13

Bond interest and bond redemption are included under the head of Debt Service on the chart and represent 14.32% of the total budget for 1933-34. From 1918 to 1929 the school population increased from

## Seattle Public Schools Budget Chart - 2

43,329 to 66,545. This rapid increase in number of pupils necessitated the construction of additional housing facilities. During the period from 1920 to 1929 building operations in the nature of replacements and new plants exceeded those for the total previous period of the Seattle schools' existence. The total increase in enrollment from September, 1917, to June, 1932, amounted to 27,530 or 63.54%. That buildings have not been constructed in excess of needs is evidenced by the fact that many children are at present housed in portable structures. Not being able to maintain a pay-as-you-go plan, bonds were voted by the people to finance this building program, and these bonds are now maturing and must be paid.

Bond Interest and Redemption Fund Reserve - \$435,956.13, or 6.67% of total budget.  
Decrease - \$10,240.87 under 1932-33.

Failure of tax collections led to the establishment last year of a bond interest and redemption fund reserve in order that future bond interest and redemption payments might be protected and the possibility of defaulting on bond interest payments and redemptions be avoided. The amount of the bond interest and redemption to be paid next year is \$936,284.25. The reserve of \$435,956.13 brings the total of debt service for bond interest and redemption and reserves for the same to \$1,372,240.38, or 20.99% of the budget.

General Fund Reserves - \$721,100.12, or 11.03% of total budget.  
Increase - \$701,331.93 over 1932-33.

As a further protection of the financial credit of the District, the sum of \$654,165.31 is being set up as a reserve for warrant retire-

## Seattle Public Schools Budget Chart - 3

ment this year. The need for setting up this fund in the budget is reflected in the fact that less than 75% of the taxes for 1932 were collected. In addition there is set aside for cancellation of taxes \$66,934.81, making the total General Fund reserve for uncollected taxes \$721,100.12, which, as stated above, is an increase of \$701,331.95 over 1932-33.

Thus the fixed charges for debt service and the reserves for uncollected taxes, as given above, amount to \$2,123,239.22, or 32.48% of the total budget. When to this is added \$150,000, or 2.29% more of the total budget, for interest on outstanding warrants, only 65.23% of the budget is left for current operating expenses, including administration, instruction, operation and maintenance of the school plant, and other services shown on the chart. Current expenses represent the elastic part of the budget and out of it the School Board has made retrenchments which amount to \$1,252,540.84 under the 1932-33 figure. Through a comparison of the current items of expense shown on the budget charts for 1932-33 and 1933-34 it may be seen where reductions have been made.

Administration - \$145,028.21, or 2.22% of total budget.  
Decrease - \$40,061.49 under 1932-33.

Reductions in General Control have been effected largely through salary cuts, a reorganization of the business offices by consolidation of departments, and the abolishment of one assistant superintendency.

Instruction - \$3,329,794.13, or 50.95% of total budget.  
Decrease - \$1,038,089.81 under 1932-33.

## Seattle Public Schools Budget Chart - 4

This item includes salaries of teachers, principals and supervisors, supplies, textbooks and book repairs, and miscellaneous expense.

- (a) Supervision - \$24,133.34, or three-eighths of one per cent. of the total budget.  
Decrease - \$17,429.66 under 1932-33.

Personnel of the supervisory staff has in the past two years been reduced approximately 48%. A recent nation-wide study, made by the public schools of Des Moines, Iowa, of the average number of pupils per person on the supervisory staff shows that Seattle employs fewer supervisors in proportion to the number of pupils enrolled than any city of like size reported upon. This condition will be further emphasized next year with the further reduction in the supervisory staff contemplated in the 1933-34 budget.

- (b) Teachers' Salaries - \$2,924,076.44, or 44.74% of total budget.  
Decrease - \$904,590.20 under 1932-33.

The retrenchments in the department of Instruction have of necessity been made, first, by decreasing the number of teachers and, second, by reductions in teachers' salaries. Although the schools now have the largest attendance in their history, the number of teachers has been decreased by reassignment of duties as vacancies have occurred during the past two years. The result is that approximately 2000 more pupils are being served by 100 less teachers than in 1931-32. Through successive cuts for the present and next year, the maximum teachers' salaries have been reduced approximately 33-1/3% under the schedule for 1931-32. No teacher receiving less than \$1600 was cut below \$1100. (See chart for 1933-34 salary schedule.) The combined

## Seattle Public Schools Budget Chart - 5

result of reductions in teaching personnel and salary adjustments is the budgeting of about 23.63% less for teachers' salaries in 1933-34 than in 1932-33.

- (c) Textbooks and Book Repairs - \$40,400.00, or about five-eighths of one per cent. of total budget.  
Decrease - \$5,314.00 under 1932-33.

Textbook purchases will be virtually limited to replacements, in order to make possible the decrease. This rule must be adhered to even though attendance increases.

- (d) Supplies - \$76,450.00, or 1.17% of total budget.  
Decrease - \$15,236.00 under 1932-33.

Retrenchments in this item of expense are to be effected through requiring children above the third grade to purchase a part of their supplies, such as pencils and tablets, which have heretofore been supplied by the schools.

- (e) Miscellaneous Expense - \$6,150.00, or about one-tenth of one per cent. of total budget.  
Decrease - \$2,450.00 under 1932-33.

Operation of School Plant - \$477,926.05, or 7.31% of total budget.  
Decrease - \$112,661.59 under 1932-33.

The decrease in the budget item for operation is made possible for the most part through reductions in salaries of janitors and engineers, proportionate with cuts given other District employees.

Rigid economies in use of light, fuel and water, in which the Board has had the cordial cooperation of its entire staff and which have constituted a substantial reduction this year, will be continued next year. The consolidation of schools, which resulted in the abandonment of several entire buildings, also is reflected in decreased

## Seattle Public Schools Budget Chart - 6

operating costs.

Maintenance of School Plant - \$130,720.00, or 2.00% of total budget.  
Decrease - \$19,325.00 under 1932-33.

Retrenchments here are made possible through wage reductions and through keeping repairs to an irreducible minimum.

Auxiliary Agencies - \$42,573.35, or about five-eighths of one per cent. of total budget.  
Decrease - \$10,908.65 under 1932-33.

The reduction of \$10,908.65 in the medical service is due almost entirely to reductions in salaries of the school nurses and doctors.

Vocational Schools - \$45,296.92, or about seven tenths of one per cent. of total budget.  
Decrease - \$12,164.12 under 1932-33.

A part of the expense of the vocational schools is cared for by subsidies from the Federal Government.

Parental Schools - \$57,431.22, or about nine-tenths of one per cent. of total budget.  
Decrease - \$17,930.18 under 1932-33.

The retrenchment in vocational and parental schools comes mainly from salary and staff reductions.

#12

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MAY 1 1936

Mr. Frank S. Bayley,  
President, Board of Directors,  
Seattle School District No. 1,  
Central Building,  
Seattle, Washington.

Dear Mr. Bayley:

Governor Black has asked me to acknowledge receipt of your letter of May 13 and the inclosures transmitted therewith regarding General Obligation Warrants of your school district. Since the question whether and to what extent under the law the Federal Reserve Bank of San Francisco should purchase such warrants is a matter primarily for the consideration of its directors and officers, I am transmitting a copy of your letter, together with the inclosures, to the Governor of the Federal Reserve Bank of San Francisco for attention.

Very truly yours,

(Signature)

Secretary.

CM-w

CW

FILE COPY

333.2 (17)

MAY 17 1933

Mr. John U. Calkins, Governor,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Governor Calkins:

For your information and consideration you will find inclosed a copy of a letter, dated May 13, 1933, from Mr. Frank S. Bayley, President of the Board of Directors of Seattle School District No. 1, Seattle Washington, together with a copy of the resolution transmitted therewith and the originals of the other material inclosed with his letter. The receipt of Mr. Bayley's letter has been acknowledged and he has been advised that the question whether and to what extent under the law the Federal reserve bank should purchase such warrants is a matter for the consideration of the Federal Reserve Bank of San Francisco and that this matter has been brought to its attention.

It will be appreciated if you will respond directly to Mr. Bayley's communication and send the Board for its information a copy of your reply. It will also be appreciated if you will return the inclosures of which the originals are transmitted herewith.

Very truly yours,

CM-w

*CM* FILE

(Signed) Chester Morris COPY

Inclosures.

Secretary.



333207

*W. H. ...  
Please handle  
SPD  
4/15/33*

**SEATTLE PUBLIC SCHOOLS**

OFFICE OF THE SUPERINTENDENT  
CENTRAL BUILDING  
SEATTLE, WASHINGTON

May 13, 1933

Governor Eugene R. Black,  
Federal Reserve Board,  
Washington, D. C.

My dear Governor:

I am transmitting with supporting statistics a resolution adopted by our Board of Directors at its regular meeting on Friday, May 12, requesting the Federal Reserve Board to take action looking to the purchase of certain outstanding General Obligation Warrants of this school district. Federal Reserve Banks have statutory authority to make such a purchase, and we feel that the warrants are a thoroughly sound investment.

Appreciating your good offices in this matter, I am

Yours very truly,

*Frank S. Bayley*  
Frank S. Bayley,  
President, Board of Directors,  
Seattle School District No. 1.

Enclosures

## RESOLUTION

WHEREAS, King County, Washington, School District No. 1, Seattle, comprises the corporate limits of the City of Seattle, with some additional outlying territory, and constitutes the legally organized municipal district responsible for the operation of the public schools within said district, attended by approximately 62,000 children, and

WHEREAS, the cost of operating said schools is met by funds received from direct taxation against all taxable property located within said district, and in addition by apportionments received from the State of Washington and the County of King, and

WHEREAS, under State laws, expenses of the district are met by the issuance of general obligation interest-bearing warrants which, under ordinary conditions, are paid out of available funds, or if funds are not available with the County Treasurer, have heretofore been taken at par by the local banking institutions, and

WHEREAS, owing to local conditions and lack of prompt tax collections, the district had outstanding as of March 31, 1933, \$3,357,300 General Obligation Warrants, with an offsetting credit of \$3,911,000 of uncollected taxes currently being collected, and in addition had anticipated income due from State and County apportionments for the ensuing year of \$2,313,000, thereby clearly indicating ample resources for the prompt payment of the aforesaid warrants, and

WHEREAS, the Clearing House Association of the City of Seattle, whose members have heretofore accepted Seattle School District Warrants at par value, have now advised the Seattle Board of Education that because of the substantial amount of School District

#2

Warrants now carried by the Seattle banks (approximately \$3,000,000) they cannot under sound banking practice accept additional warrants at this time, and

WHEREAS, such refusal by the banks to negotiate additional warrants has caused much distress to the teaching staff, other employees, and tradesmen doing business with this district, and has greatly embarrassed the School District in its necessary functions in providing education for its 62,000 children; now, therefore, be it

RESOLVED by the Board of Directors of Seattle School District No. 1, that the Federal Reserve Board and through it the Federal Reserve Bank of San Francisco and its local branch in Seattle, be requested to investigate the financial condition of Seattle School District No. 1, and upon such satisfactory investigation, that the Federal Reserve Banks be requested to purchase for their own account, in accordance with Paragraph (b) of Section 14, of the Federal Reserve Act as amended to March 4, 1931, a sufficient amount of the outstanding legally issued General Obligation Warrants of this School District so as to relieve the serious situation faced by this School District; and be it further

RESOLVED, That a copy of this resolution, with proper supporting financial data, be forwarded to the President of the United States, to Mr. Eugene R. Black, Governor of the Federal Reserve Board at Washington, D. C., and to Mr. J. U. Calkins, Governor of the Federal Reserve Bank of San Francisco, with the respectful request that Governor Calkins consider the matter in his hands for action and reply to the Board of Education of Seattle.

E. B. Holmes  
E. B. Holmes, Secretary

Frank S. Bayley  
Frank S. Bayley, President,  
Board of Directors,  
Seattle School District No. 1.

May 12, 1933

#12

**SEATTLE PUBLIC SCHOOLS**

OFFICE OF THE SUPERINTENDENT  
CENTRAL BUILDING  
SEATTLE, WASHINGTON

*File*  
*3/2/33*

May 12, 1933

333.2 (12)

*Treasury Dept*

*Adm. 5-18-33 em*

RESPECTFULLY REFERRED  
FOR CONSIDERATION,

*Copy to the President.*

The President,  
The White House.

Dear Mr. President:

Knowing your constructive achievements on behalf of education as Governor of New York and encouraged by your published expression of "faith in education as the foundation of democratic government" and of the need of our schools for "the appreciation and co-operation of all," the Seattle Board of Education has directed me to forward you a copy of the resolution unanimously passed by the Board today.

While it appreciates that in the midst of so many weighty problems of the day you cannot devote the time necessary to a study of this resolution, nevertheless the Board realizes your capacity for prompt and decisive action, and it respectfully requests that you refer the enclosed resolution, together with the whole question of relief for public schools by the Federal Reserve Board under the provisions of Paragraph (b) of Section 14, of the Federal Reserve Act as amended to March 4, 1931, to the proper authority with suitable expression of your desire that a thorough study be made in the interests of the education of the boys and girls of this community and of the Nation.

Yours respectfully,

*Frank S. Bayley*

Frank S. Bayley,  
President, Board of Directors,  
Seattle School District No. 1.

Enclosures

## RESOLUTION

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WHEREAS, under State laws, expenses of the district are met by the issuance of general obligation interest-bearing warrants which, under ordinary conditions, are paid out of available funds, or if funds are not available with the County Treasurer, have heretofore been taken at par by the local banking institutions, and

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E. B. Holmes

E. B. Holmes, Secretary

Frank S. Bayley

Frank S. Bayley, President,  
Board of Directors,  
Seattle School District No. 1.

May 12, 1933

SEATTLE SCHOOL DISTRICT NO. 1

STATUS OF GENERAL FUND  
AS TAKEN FROM MONTHLY STATEMENT AS OF MARCH 31, 1933

<b>Uncollected Taxes:</b>	March 31, 1932	\$ 3,062,600	
	March 31, 1933	<u>\$ 3,911,000</u>	
	INCREASE .....		\$ 848,400
<b>Co. Treas. Cash Balance:</b>	March 31, 1932	764,700	
	March 31, 1933	<u>847,300</u>	
	INCREASE .....		1,612,000
<b>Warrants Outstanding:</b>	March 31, 1932	1,576,200	
	March 31, 1933	<u>3,357,300</u>	
	INCREASE .....		1,781,100
<b>Deduct: Increase in Cash Balance -</b>			<u>1,612,000</u>
<b>INCREASE FOR YEAR ENDED MARCH 31, 1933 in CURRENT OVERDRAFT -</b>			<u>169,100</u>

RECEIPTS AND EXPENSES  
GENERAL FUND - NINE MONTHS ENDING MARCH 31, 1932-1933

<b>Actual Receipts - all sources</b>	1932	3,272,800	
	# 1933	<u>3,248,900</u>	
	DECREASE .....		23,900
<b>Actual Expenses</b>	1932	4,242,200	
	1933	<u>3,480,100</u>	
	DECREASE .....		762,100
<b>Excess Expenditures over Receipts</b>	-- 1932	\$969,400	
" " " "	-- 1933	231,200	

# Discount tax date extended by action of legislature from March 15th to May 15th.

DISTRIBUTION OF THE SCHOOL DOLLAR  
1933-1934 BUDGET

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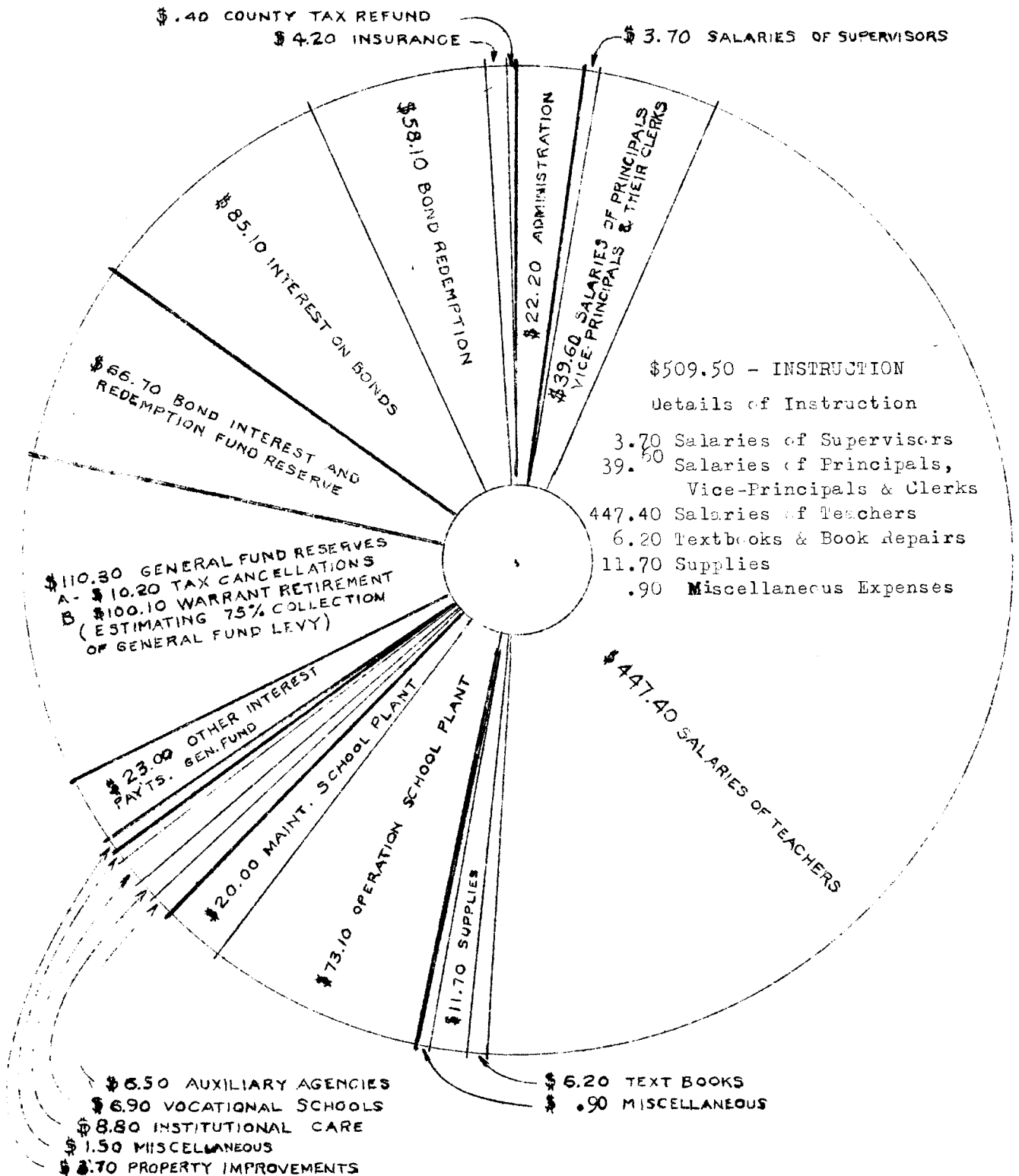
SEATTLE SCHOOL DISTRICT NO. 1  
Seattle, Washington



SEATTLE SCHOOL DISTRICT NO. 1

DISTRIBUTION OF EACH \$1000.00 TAXES LEVIED

1933 - 1934 BUDGET



NOTES EXPLANATORY OF DISTRIBUTION OF 1933-34 BUDGET CHART  
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{	Interest on Bonds	-	\$556,284.25;	Increase,	\$18,420.00
{	Bond Redemption	-	\$380,000.00;	Decrease,	\$14,000.00
{	Insurance Fund	-	\$ 27,180.66;	Increase	\$ 1.28
{	County Tax Refund	-	\$ 2,718.06;	Increase	.13

Bond interest and bond redemption are included under the head of Debt Service on the chart and represent 14.32% of the total budget for 1933-34. From 1918 to 1929 the school population increased from

## Seattle Public Schools Budget Chart - 2

43,329 to 66,545. This rapid increase in number of pupils necessitated the construction of additional housing facilities. During the period from 1920 to 1929 building operations in the nature of replacements and new plants exceeded those for the total previous period of the Seattle schools' existence. The total increase in enrollment from September, 1917, to June, 1932, amounted to 27,530 or 63.54%. That buildings have not been constructed in excess of needs is evidenced by the fact that many children are at present housed in portable structures. Not being able to maintain a pay-as-you-go plan, bonds were voted by the people to finance this building program, and these bonds are now maturing and must be paid.

Bond Interest and Redemption Fund Reserve - \$435,956.13, or 6.67% of total budget.  
Decrease - \$10,240.87 under 1932-33.

Failure of tax collections led to the establishment last year of a bond interest and redemption fund reserve in order that future bond interest and redemption payments might be protected and the possibility of defaulting on bond interest payments and redemptions be avoided. The amount of the bond interest and redemption to be paid next year is \$936,284.25. The reserve of \$435,956.13 brings the total of debt service for bond interest and redemption and reserves for the same to \$1,372,240.38, or 20.99% of the budget.

General Fund Reserves - \$721,100.12, or 11.03% of total budget.  
Increase - \$701,331.93 over 1932-33.

As a further protection of the financial credit of the District, the sum of \$654,165.31 is being set up as a reserve for warrant retire-

## Seattle Public Schools Budget Chart - 3

ment this year. The need for setting up this fund in the budget is reflected in the fact that less than 75% of the taxes for 1932 were collected. In addition there is set aside for cancellation of taxes \$66,934.81, making the total General Fund reserve for uncollected taxes \$721,100.12, which, as stated above, is an increase of \$701,331.97 over 1932-33.

Thus the fixed charges for debt service and the reserves for uncollected taxes, as given above, amount to \$2,123,239.22, or 32.48% of the total budget. When to this is added \$150,000, or 2.29% more of the total budget, for interest on outstanding warrants, only 65.23% of the budget is left for current operating expenses, including administration, instruction, operation and maintenance of the school plant, and other services shown on the chart. Current expenses represent the elastic part of the budget and out of it the School Board has made retrenchments which amount to \$1,252,540.84 under the 1932-33 figure. Through a comparison of the current items of expense shown on the budget charts for 1932-33 and 1933-34 it may be seen where reductions have been made.

Administration - \$145,028.21, or 2.22% of total budget.  
Decrease - \$40,061.49 under 1932-33.

Reductions in General Control have been effected largely through salary cuts, a reorganization of the business offices by consolidation of departments, and the abolishment of one assistant superintendency.

Instruction - \$3,329,794.13, or 50.95% of total budget.  
Decrease - \$1,038,089.81 under 1932-33.

## Seattle Public Schools Budget Chart - 4

This item includes salaries of teachers, principals and supervisors, supplies, textbooks and book repairs, and miscellaneous expense.

- (a) Supervision - \$24,133.34, or three-eighths of one per cent. of the total budget.  
Decrease - \$17,429.66 under 1932-33.

Personnel of the supervisory staff has in the past two years been reduced approximately 48%. A recent nation-wide study, made by the public schools of Des Moines, Iowa, of the average number of pupils per person on the supervisory staff shows that Seattle employs fewer supervisors in proportion to the number of pupils enrolled than any city of like size reported upon. This condition will be further emphasized next year with the further reduction in the supervisory staff contemplated in the 1933-34 budget.

- (b) Teachers' Salaries - \$2,924,076.44, or 44.74% of total budget.  
Decrease - \$904,590.20 under 1932-33.

The retrenchments in the department of Instruction have of necessity been made, first, by decreasing the number of teachers and, second, by reductions in teachers' salaries. Although the schools now have the largest attendance in their history, the number of teachers has been decreased by reassignment of duties as vacancies have occurred during the past two years. The result is that approximately 2000 more pupils are being served by 100 less teachers than in 1931-32. Through successive cuts for the present and next year, the maximum teachers' salaries have been reduced approximately 33-1/3% under the schedule for 1931-32. No teacher receiving less than \$1600 was cut below \$1100. (See chart for 1933-34 salary schedule.) The combined

## Seattle Public Schools Budget Chart - 5

result of reductions in teaching personnel and salary adjustments is the budgeting of about 23.63% less for teachers' salaries in 1933-34 than in 1932-33.

- (c) Textbooks and Book Repairs - \$40,400.00, or about five-eighths of one per cent. of total budget  
Decrease - \$5,314.00 under 1932-33

Textbook purchases will be virtually limited to replacements, in order to make possible the decrease. This rule must be adhered to even though attendance increases.

- (d) Supplies - \$76,450.00, or 1.17% of total budget.  
Decrease - \$15,236.00 under 1932-33.

Retrenchments in this item of expense are to be effected through requiring children above the third grade to purchase a part of their supplies, such as pencils and tablets, which have heretofore been supplied by the schools.

- (e) Miscellaneous Expense - \$6,150.00, or about one-tenth of one per cent. of total budget.  
Decrease - \$2,450.00 under 1932-33.

Operation of School Plant - \$477,926.05, or 7.31% of total budget.  
Decrease - \$112,661.59 under 1932-33.

The decrease in the budget item for operation is made possible for the most part through reductions in salaries of janitors and engineers, proportionate with cuts given other District employees.

Rigid economies in use of light, fuel and water, in which the Board has had the cordial cooperation of its entire staff and which have constituted a substantial reduction this year, will be continued next year. The consolidation of schools, which resulted in the abandonment of several entire buildings, also is reflected in decreased

Seattle Public School Budget Chart - 6

operating costs.

Maintenance of School Plant - \$130,720.00, or 2.00% of total budget.  
Decrease - \$19,325.00 under 1932-33.

Retrenchments here are made possible through wage reductions and through keeping repairs to an irreducible minimum.

Auxiliary Agencies - \$42,573.35, or about five-eighths of one per cent. of total budget.  
Decrease - \$10,908.65 under 1932-33.

The reduction of \$10,908.65 in the medical service is due almost entirely to reductions in salaries of the school nurses and doctors.

Vocational Schools - \$45,296.92, or about seven tenths of one per cent. of total budget.  
Decrease - \$12,164.12 under 1932-33.

A part of the expense of the vocational schools is cared for by subsidies from the Federal Government.

Parental Schools - \$57,431.22, or about nine-tenths of one per cent. of total budget.  
Decrease - \$17,930.18 under 1932-33.

The retrenchment in vocational and parental schools comes mainly from salary and staff reductions.

# 12

~~333 W~~

333.2(12)

JUN 30 1933

Mr. W. C. Harding, Secretary,  
Roseburg Chamber of Commerce,  
Roseburg, Oregon.

Dear Sir:

Receipt is acknowledged of your letter of June 19, 1933 with further reference to the purchase of warrants by Federal reserve banks. You state that such warrants have no definite maturity and that their payment depends on tax receipts and you inquire if \$50,000 worth of such warrants are sold, one-half of which "should be paid" within six months, what would be the attitude of the Federal Reserve Board with regard to the other half?

There is inclosed herewith a copy of the Federal Reserve Board's Regulation E, which sets forth the requirements as to the eligibility of State and municipal warrants for purchase by Federal reserve banks. You will note that the law requires that, in order to be eligible for purchase by a Federal reserve bank, such warrants must have a maturity from the date of purchase of not exceeding six months, in addition to fulfilling certain other requirements. Warrants which have no definite maturity cannot be said to have a maturity of not exceeding six months and, therefore, are not eligible for purchase by Federal reserve banks, even though it is

FILE COPY



Mr. W. C. Harding --2

expected that they will be retired within six months out of tax receipts. You will understand, of course, that the eligibility and acceptability of warrants in particular cases is a question to be determined by the Federal reserve bank to which such warrants are offered.

Very truly yours,

Chester Merrill,  
Secretary.

Inclosure.

GHC/WW/sad

 FILE COPY



# ROSEBURG CHAMBER of COMMERCE

333, 2(12)

Offices Medical Arts Building  
ROSEBURG, OREGON

June 10, 1938

RECEIVED  
OFFICE OF FEDERAL COUNSEL

JUN 10 1938

~~3~~ P. M.  
~~9 2~~

Mr. Chester Morrill  
Secretary, Federal Reserve Board  
Washington, D. C.

Dear Mr. Morrill:

Referring to your letter of June 9th to Senator Charles L. McNary, a copy of which he was pleased to send to me which I received this morning, clears the air very decidedly with regard to this warrant question.

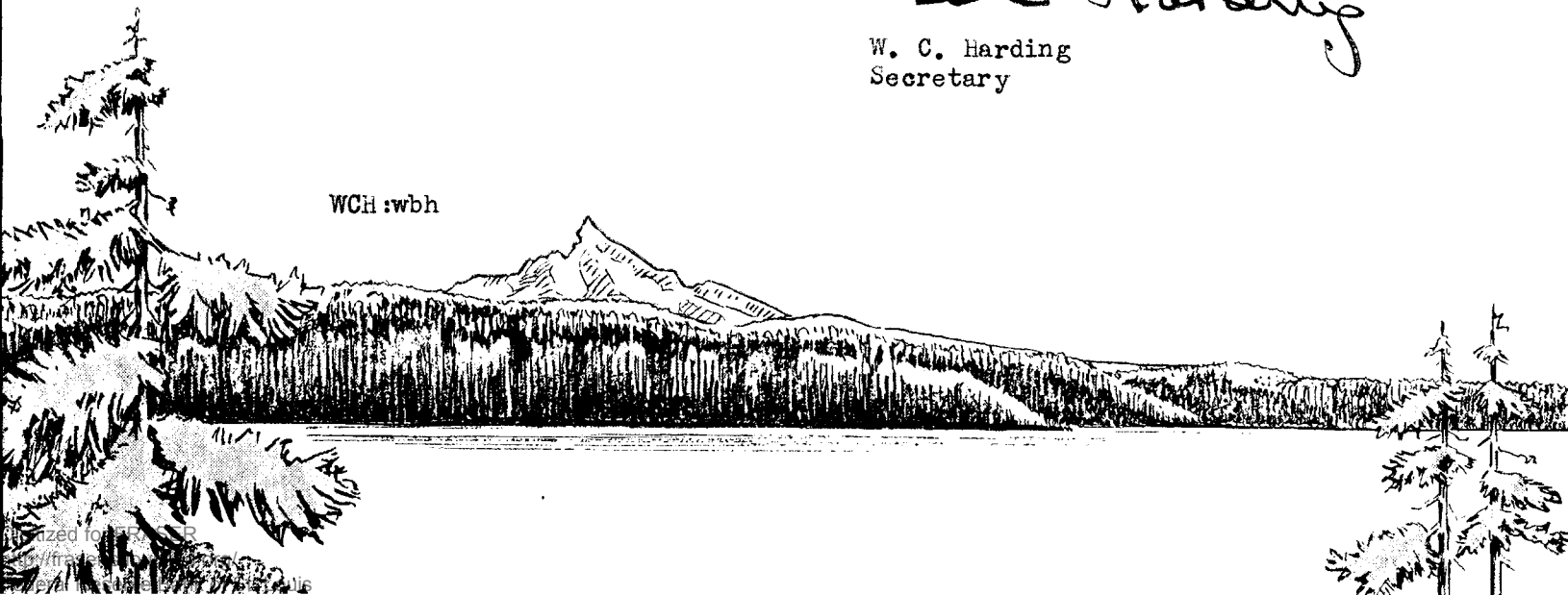
The warrants to which I refer are both city and county with no especial maturity dates, but their maturity, of course, will depend upon the receipt of taxation money. The question that is in my mind in this connection is this: suppose fifty thousand dollars worth of these warrants are sold, one half of which amount should be paid within the six months period. What would be the attitude of the Reserve Board on the other twenty five thousand that would remain unpaid until further taxes were paid in.

Might I have your answer to this question.

Very truly yours

*W. C. Harding*  
W. C. Harding  
Secretary

WCH:wbh



*[Handwritten scribbles]*

JUN 8 1933

*333-2*  
*333-2*

Honorable C. L. McNary,  
United States Senate,  
Washington, D. C.

Dear Senator McNary:

Reference is made to your letter of May 15 to Governor Black and to the letter transmitted therewith dated May 8, addressed to you by Mr. W. C. Harding, Secretary of the Roseburg Chamber of Commerce, Roseburg, Oregon. Mr. Harding stated, among other things, in his letter that "our people are wondering why it is that our bankers who have inadequate funds to take care of our own small country needs, and find it utterly impossible to take over these warrants in any quantities, cannot go to the Federal Reserve Banks and borrow at least seventy five cents on the dollar on them \* \*". The Federal reserve banks are authorized by section 14 of the Federal Reserve Act to purchase bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States in accordance with rules and regulations prescribed

FILE COPY

Honorable C. L. McNary - (2)

by the Federal Reserve Board and there is inclosed copy of Regulation "E" which covers such purchases.

In view of the statement made by Mr. Harding inquiry was made of the Federal Reserve Bank of San Francisco and a reply has been received stating that its records do not show that the Federal Reserve Bank has received any offering of Douglas County Tax Anticipation Warrants and it does not know what particular municipalities were referred to by Mr. Harding in his letter. In the circumstances it is suggested that you advise Mr. Harding that the Federal Reserve Bank of San Francisco will be glad to consider the matter further upon request from any local bank which wishes to sell to the Federal Reserve Bank warrants of the kind that Mr. Harding has in mind.

Mr. Harding's letter is returned herewith.

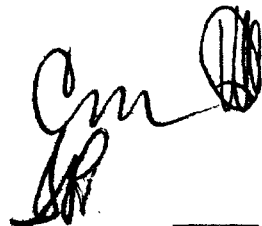
Very truly yours,

(Signed) Chester B. Smith

Secretary.

Inclosures.

CM-w

Handwritten initials "CM" and "w" are written over a circular stamp that contains illegible text.

FILE COPY

## FEDERAL RESERVE BANK OF SAN FRANCISCO

June 1, 1933

Mr. Chester Morrill,  
Secretary, Federal Reserve Board,  
Washington, D. C.

Dear Mr. Morrill:

### Re Douglas County Warrants.

We are in receipt of your letter of May 20th, enclosing letter from Senator McNary accompanied by one addressed to the Senator, under date of May 8th, by the Roseburg Chamber of Commerce, Roseburg, Oregon, in regard to municipal warrants.

Mr. W. C. Harding, Secretary of the Chamber, reviews the situation commonly confronting many political subdivisions which have found themselves unable to meet current expenditures because of delinquencies in tax payments on the one hand and curtailed outlet for their obligations on the other. The Secretary says:

"Our people are wondering why it is that our bankers who have inadequate funds to take care of our own small country needs, and find it utterly impossible to take over these warrants in any quantities, cannot go to the Federal Reserve Banks and borrow at least seventy five cents on the dollar on them" \* \* \*

Our records do not show that this bank has received any offering of Douglas County Tax Anticipation Warrants.

One of the difficulties invariably confronting us when assistance of this character is sought is that the political subdivision seeking the credit cannot issue the customary form of time obligation. It is quite likely the case in this instance, although it has not been investigated because we do not know to which municipality the Chamber has particular reference.

So that you may know the situation, it should be explained that, when Districts go on a "warrant basis," such as Secretary Harding described in the first part of his letter, it usually means, in these parts, that demand drafts (checks or warrants, as you please) for disbursements

Mr. Chester Morrill - - 2

June 1, 1933

drawn on the Treasurer are unpaid on presentation because of lack of funds. The Treasurer in such instances notes on the instrument the date of presentation, following which the warrant carries until paid a stipulated rate of interest.

In normal times, these orders are paid on presentation, as tax receipts keep ahead of disbursements. Delinquencies, emergency laws postponing the time of payment of taxes and, in some instances, the remission of penalties, all have been contributory in reversing this order, thus removing some attractiveness from this form of investment.

Instead of issuing disbursement warrants which cannot be paid on presentation and for which the date of settlement is left undetermined, it would be better if political subdivisions would borrow needed funds by issuing negotiable notes having a definite maturity. This would seem the proper solution, instead of modifying, as suggested by the Chamber, the Federal Reserve Act which already provides an adequate basis for Reserve Banks aiding in municipal finance.

It would seem to us that States might consider taking measures to relieve the small Districts from dependence upon small community banks. In some manner obligations might be created which could enter the larger markets more freely and on more favorable terms. The form of instrument now created lends itself almost exclusively to local absorption because there are uncertainties which must be closely watched by investors. To purchase warrants of the kind herein described, for instance, one must be in constant touch with the position of the Treasurer so as to know when payments of warrants can be effected. Quite commonly, these warrants are payable out of special funds, and are not general obligations of the District as a whole. This, too, needs close supervision because if warrants, for example, were issued against 1933 tax levies exclusively, they could not be paid from levies of future years if collections of 1933 taxes were to fall short of requirements.

There is no question about the need for better machinery to finance political subdivisions, particularly the smaller ones. It seems to us, however, that there is room for improvement in State laws governing municipal finance, from which angle the problem should be approached.

Yours very truly,



Deputy Governor.

#12

333-2

MAY 20 1933

3332 (12)

Mr. John U. Calkins, Governor,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Governor Calkins:

You will find inclosed a copy of a letter, dated  
May 15, from Senator McNary, together with a copy of the in-  
closure transmitted therewith, consisting of a letter, dated  
May 8, 1933, from Mr. W. C. Harding, Secretary of the Rose-  
burg Chamber of Commerce, Roseburg, Oregon, regarding city  
and county warrants. The Board will be pleased to have any  
information and comments that you think would be helpful to  
it in making a reply to Senator McNary.

Very truly yours,

(Signed) Chester Horrell

Secretary.

Inclosures.

CM-w

FILE COPY

CHARLES L. McNARY, OREGON  
CHAIRMAN

United States Senate

CONFERENCE OF THE MINORITY

333.2(12)

May 15, 1933

Honorable Eugene R. Black,  
Governor, Federal Reserve Board,  
Washington, D. C.

My dear Governor:

Enclosed is a letter from the Secretary of  
the Roseburg, Oregon, Chamber of Commerce, Mr. W. C.  
Harding, containing a suggestion which I submit for  
your consideration.

With your reply, I shall be very glad to have  
the letter returned.

Very sincerely yours,

*Charles L. McNary*

McN/KB

enc.



(Letterhead of)

ROSEBURG CHAMBER of COMMERCE

Roseburg, Oregon  
May 8, 1933

Senator C. L. McNary  
Washington, D. C.

My dear Senator:

An acute situation is developing all over the United States, and I will confine myself to a concrete measure that stares us in the face right here locally in Douglas county. It is this: for the first time in my experience both our city and county are on a warrant basis. This condition has been brought about by the failure of people to pay their taxes.

This is no news to you, of course, because it is a condition that is prevalent throughout our land. To get right down to the fundamentals on this thing quickly, permit us to suggest that our people are wondering why it is that our bankers who have inadequate funds to take care of our own small country needs, and find it utterly impossible to take over these warrants in any quantities, cannot go to the Federal Reserve Banks and borrow at least seventy five cents on the dollar on them, and bring this money home to help the local situation through the crisis.

Our bankers tell us that it is an absolute impossibility to make any borrowing arrangement on these warrants in the Federal Reserve Banks with the present set-up and the interpretation that the Federal Reserve places on matters of this kind. Assuming for the sake of argument that the Federal Reserve Banking System is technically correct in this interpretation of the law that controls their action, might not a modification of this act be brought about enabling them to become more elastic in their rediscount methods.

In this connection, please permit us to emphasize one other thing that in a very short while will tend to make the entire situation throughout the United States more acute than ever. It is this: the late economy move in Veterans' Administration affairs is throwing a heavy additional burden upon all counties, as it is compelling the several counties to come to the financial relief of the families of indigent soldiers. It is estimated that our own Douglas county will be compelled to take up during this next year an expense of \$12,000 to pay for the keep of people who should properly be the wards of the government. Multiply this by the numbers of counties in the United States both large and small, and we would begin to get some idea of where the present program is leading us all.

Senator McNary - 2

I realize full well that the administration through the Veterans' Bureau has a large problem on its hands, and that order will probably be brought out of chaos within the next few months, but I do present these two thoughts to your attention for your own personal consideration as our valued United States Senator.

Thanking you most sincerely for the wire received last evening assuring us of the opening of this home, and the many favors of the past, we beg to remain,

Cordially yours

(signed) W. C. HARDING

W. C. Harding  
S e c r e t a r y

WCH:wbh

# 12

APR 20 1933

~~333~~

333.26

Mr. J. U. Calkins, Governor,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Governor Calkins:

Receipt is acknowledged of Mr. Clerk's letter  
of April 21, 1933, with reference to a letter from Mr. Glenn  
Kirkwood, Principal of the Molalla Union High School, in re-  
gard to school warrants. In view of the information contained  
in Mr. Clerk's letter, and particularly in view of the fact  
that Mr. Kirkwood has been invited by the Portland branch of  
your bank to call and discuss the subject, it does not appear  
necessary that the Board should make any further reply to  
Mr. Kirkwood's letter.

Very truly yours,

(Signed) Chester Merrill

Chester Merrill,  
Secretary.

GHC/sad

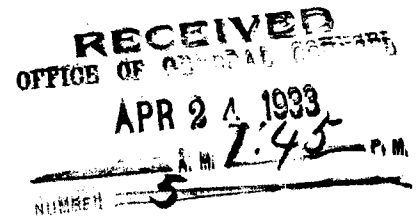
*[Handwritten signatures and initials]*  
FILE

COPY

*Council*  
333.2(12)

FEDERAL RESERVE BANK OF SAN FRANCISCO

April 21, 1933.



Mr. Chester Morrill,  
Secretary, Federal Reserve Board,  
Washington, D. C.

Dear Mr. Morrill:

With your letter of April 5, there was enclosed a copy of a letter dated March 15, addressed to the Portland Branch of the Federal Reserve Bank of San Francisco by Glenn Kirkwood, Principal of the Molalla Union High School, in regard to School Warrants.

The statement that "if district warrants were taken to the Federal Reserve Bank for rediscounting, they would not get fifty cents on the dollar," asserted to have been made by an officer of the First National Bank of Molalla, (the only bank in that town) was obviously made off hand and was not the basis of any information obtained from the Federal Reserve Bank, either through inquiry or experience.

To our knowledge, we have had no occasion to investigate the eligibility or value of the warrants in question.

Because of the many intricacies involved in the purchase of warrants, we avoid, whenever possible, answering inquiries by correspondence. Inasmuch as Molalla is in close proximity to Portland, Mr. Kirkwood was invited by the Portland Branch to call and discuss the subject presented in his letter of March 15. However, he has not done so.

The warrants under discussion appear to have been issued by Union High School, No. 4, of Clackamas County. The amount outstanding at this time is approximately \$25,000, of which the First National Bank of Molalla holds \$20,000. It should be agreed that this is quite a substantial investment for a bank having a capital and surplus of \$30,000, particularly when the time of liquidation of the warrants is somewhat indefinite. Usually we find, upon investigation, that warrants of this character are non-negotiable and the time of payment indefinite. The common practice is to draw the warrants on demand which, upon presentation, are stamped across their face, "Presented but not paid for want of funds."

From the time of presentation until called for payment, the

Mr. Chester Morrill,  
Secretary, Federal Reserve Board - 2 -

4-21-33.

warrants bear a stipulated rate of interest.

It has long been the practice of small municipalities, the obligations of which have no more than local marketability, to depend upon the community bank to absorb the warrants and carry them until tax payments create a retirement fund.

With diminishing bank deposits and increased tax delinquencies, (District No. 4 was 27% delinquent in 1932) together with other uncertainties, it is only natural that banks should be less inclined now to invest in warrants of the character under discussion.

Should Mr. Kirkwood call upon us, we shall be glad to do what we properly can to help relieve the Molalla situation.

Yours very truly,

  
Deputy Governor.

#1 2

~~333-2~~

APR 5 1933

333.2(12)

Mr. J. U. Calkins, Governor,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Governor Calkins:

Inclosed is a copy of a letter from Mr. Glenn Kirkwood of Molalla, Oregon, dated March 15, 1933, addressed to the Federal Reserve Bank of San Francisco, regarding the rediscouinting of certain school warrants.

The letter indicates that copies were also sent to the Secretary of the Treasury and to the First National Bank of Molalla. It would be appreciated if you will advise the Board what reply, if any, you have made to this letter in order that the Board may determine whether any further reply should be made by it.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill  
Secretary

Inclosure

GHC/omc

**FILE COPY**

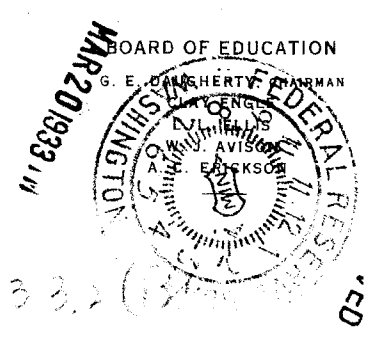
*Answer*  
GLEN KIRKWOOD  
PRINCIPAL  
GEORGE BLATCHFORD  
CLERK

# MOLALLA UNION HIGH SCHOOL

CLACKAMAS COUNTY DISTRICT NO. 4

MOLALLA, OREGON

March 15, 1933



**Federal Reserve Bank of San Francisco  
Porter Building, Portland, Oregon**

Dear Sirs:

Prompted by my own curiosity and the requests of several members of my profession, I am asking for some information on the Federal Reserve attitude toward school warrants as security for loans. The local bank has informed me that "if district warrants were taken to the Federal Reserve Bank for rediscounting, they would not get fifty cents on the dollar." This statement in a manner throwing the responsibility for non-cashing of warrants on the shoulders of the Federal Reserve Bank, forms the real basis for my query.

Before the recent holiday, it has been the practice of the local bank to accept one large warrant, made out directly to the bank by the district clerk, to cover the monthly school payroll. It has been generally understood that, in case the local bank should be in immediate need of funds, these warrants could be re-discounted for cash with no trouble.

Now, if this could be arranged before the holiday, it is difficult to see the reason for such a complete reversal of procedure. If it is true as the bank tells us, that the warrants are worthless as collateral at the Federal Reserve Bank, it naturally follows that half the school districts in the country will have their credit withdrawn and will be unable to secure cash to meet their payrolls.

Are we to understand that such is the result of the national effort to stabilize banking and the country's business? Please favor me with a reply at your convenience.

Respectfully,

*Glen Kirkwood*

OK:BMD

Copies to:

Secretary of Treasury at Washington D. C.

First National Bank of Molalla

*(copy)*

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

JOHN PERRIN  
CHAIRMAN OF THE BOARD

April 16, 1917.

FEDERAL RESERVE BOARD FILE  
338.2

3332(2)  
*Re Seattle warrants.*

Federal Reserve Board,  
Washington, D. C.

Dear Sirs:-

For your files I enclose copy  
of an opinion rendered by our Counsel  
concerning the purchase of notes and  
warrants from the City of Seattle.

Respectfully,

*John Perrin*  
Federal Reserve Agent.

JP:FK

APR 17 1917  
RECEIVED  
FEDERAL RESERVE BOARD



TELEPHONE DOUGLAS 520

GAVIN MCNAB

RICHARD P. HENSHALL  
LUTHER ELKINS  
A. H. JARMAN  
GEORGE W. MORDECAI  
OLIVER B. WYMAN  
NAT SCHMULOWITZ

LAW OFFICES  
OF

GAVIN MCNAB

MERCHANTS NATIONAL BANK BUILDING  
SAN FRANCISCO

COPY

April 13, 1917.

**Federal Reserve Bank of San Francisco,  
25 New Montgomery Street,  
San Francisco, Cal.**

**Attention Mr. John Perrin, Chairman of the Board.**

**Dear Sirs:**

**Subject: Purchase of Notes and Warrants  
from the City of Seattle.**

I have before me letters of January 22d from the Department of Finance and the Law Department of the City of Seattle in regard to this matter, and have again considered extensively the matters mentioned in my letter of January 16th and the other correspondence between your bank and the City of Seattle which has been submitted to me.

I have not been able to change my conclusions as to the legal matters set forth in my letter of January 16th. But perhaps I may brush aside some of the difficulties in the way of the loan.

**1. With regard to the notes:**

The statute of the State of Washington -- Rem. & Ball. Code of Washington, sec. 5118, et seq. -- referred to in the recent letter from the Law Department of Seattle, I think does not change the situation. As you are already advised, the charter provisions of the City of Seattle already make ample provision for the issuance of non-negotiable notes. The statute in question provides for a form of note which I consider non-negotiable.

Commercial paper is non-negotiable within the meaning of the law merchant when payable out of a particular fund. And so are the bonds of municipalities.

28 Cyc. 1611.

5 McQuillen on Municipal Corporations,  
§§ 2206, 2269.

Federal Reserve Bank -2- April 13, 1917.

The form of note provided by the statute in question calls for payment out of "any delinquent or anticipated revenues from all sources when collected." I take it that even if there were moneys in the treasury from other sources than revenues which were delinquent or anticipated, such moneys could not be resorted to to pay the note. This is in effect the same thing as confining the resort to payment to a particular fund. The note is not payable absolutely and at all events out of any and all moneys belonging to the City, but only out of revenues when collected. If there are none collected, then the note is not payable. For these reasons, I still think the notes would not be negotiable in the sense of the law merchant.

But just here I wish to mention the difference between negotiability and assignability. Any note is assignable and can be transferred by indorsement, but unless it is negotiable in form it does not carry with it the guaranties and warranties in favor of the holder which are provided by the law merchant. If you took these notes from the City of Seattle you could discount them and they could be transferred to and through as many hands as desired. But such transfers would not carry with them the warranties as to the genuineness, regularity of signatures, and guaranty of payment when due which flow from a negotiable instrument. The chief advantage of having an instrument negotiable is that in the hands of an innocent holder for value, without notice, and before maturity, it is not subject to setoffs, defenses and equities in favor of the maker or prior indorsers. A second advantage is that its genuineness and payment are guaranteed by all prior indorsers.

In the instance before us, before taking or paying the note, your bank would undoubtedly satisfy itself that the note was regularly issued and binding upon the City. Your bank would be named as the payee and would get it direct from the City and not from any indorsers. Your bank would have no indorsers to look to. If you saw fit to discount it to some other bank, the fact that it was not negotiable would be to your advantage and not to your detriment, for they could not hold you liable for irregularities which might exist in its execution or issuance or for non-payment by the City. If, in order to dispose of it to advantage, you wished to lend your support to it, just as if it were a negotiable instrument, you could readily do so by stamping your guaranty on the back of it.

There is nothing either in the statute or in the regulations of the Federal Reserve Board which requires a note to be negotiable in order for you to acquire it; and you would violate no rule in taking such an instrument.

Federal Reserve Bank -3- April 13, 1917.

I am afraid that my former letter on this subject was erroneously construed to mean that the notes would not be legal and binding obligations upon the City. Such notes, if legally issued, would be perfectly binding, and the sole point which I dealt with in my former letter in respect to them was their negotiability, knowing that ordinarily you do not take paper unless it is negotiable.

The reasons which lead you to take only negotiable paper in ordinary cases seem to me to have little practical force in a case of this kind.

2. With regard to the warrants:

These warrants were not considered acceptable because they matured before the taxes fell due, and so were not eligible under subdivision (b), section 1, Regulation E, Federal Reserve Board, Series of 1916, and you were advised that I could not find where the City was authorized to issue warrants maturing at a day certain in the future, so as to fall due after the taxes became due. The corporation counsel of Seattle in his letter makes no reply to this objection. I have again gone over the charter provisions of Seattle in regard to the issuance of warrants, and still there seems to me to be no authority for issuing warrants having a future date of maturity, it apparently being contemplated by the charter that the warrants should be paid upon demand, which means that they mature as soon as issued. They are not objectionable merely because payable on demand instead of at a future date, but solely because they fall due before the taxes become due, thus failing to comply with the above mentioned regulation of the Federal Reserve Board. If the City attorney of Seattle can find any statutes or authorities bearing upon this question, I am still open to a change of view, but in the absence of any such authorities, I still think these warrants are ineligible, unless the above mentioned provision of Regulation E is waived by the Federal Reserve Board. But, if it is desired to purchase these warrants, the above mentioned provision of Regulation E should not, I think, stand in the way. The warrants are undoubtedly in the form which warrants usually take, and mature as warrants of a City usually mature. As a matter of fact, it is very unusual for warrants to mature in any other way than upon demand. And subdivision (b) of the Regulation

Federal Reserve Bank -4- April 13, 1917.

specifically provides that this particular requirement may be waived in specific cases. This clause was evidently designed to relieve just such situations as that which now confronts us, and it seems to me there should be no difficulty in obtaining such a waiver.

Very truly yours,

GAVIN McNAB.

Re *Mr. Perry's opinion* #12  
#12

FEDERAL RESERVE BOARD

Will Council please consider  
enclosed opinion of Council of  
S. F. Reserve Bank, and suggest  
what, if any, disposition of the matter  
other than that suggested by  
Mr. Perry should be made?

A.M.

*J. G. Williams*  
*Director*  
*St. Louis*

No. 71.

Date April 23, 1917.

F E D E R A L   R E S E R V E   B O A R D

MEMORANDUM

For Mr. Miller.

At a meeting of the Federal Reserve Board on  
April 23, 1917., the following matter  
(as Chairman, Committee on S.F. Bank.  
was referred to you (as member, " "  
(as

the following minute was entered:

"A letter from Federal Reserve Agent Perrin, enclosing copy of an opinion of his counsel with reference to the purchase of notes and warrants of the city of Seattle was on motion referred to the Committee on Operation of the Federal Reserve Bank of San Francisco."

*J. P. [Signature]*  
Secretary.

Please return this memorandum with copy of documents resulting from action taken, if any,

Date \_\_\_\_\_

Documents \_\_\_\_\_

Signature \_\_\_\_\_

#12

FEDERAL RESERVE BOARD FILE  
333.2

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

JOHN PERRIN  
CHAIRMAN OF THE BOARD

*JP*

RECEIVED  
FEB 27 1917

February 21, 1917.

GOVERNOR'S OFFICE

The Honorable W. P. G. Harding,  
Governor, Federal Reserve Board,  
Washington, D. C.

My dear Governor:

I have received your letter of  
13th inst. regarding municipal warrants  
and have given a copy of it to the opera-  
ting department. We shall be guided by  
its suggestions.

Yours very truly,

*John Perrin*  
Chairman of the Board.

JP:FK

*JK*

Mr. Katz: -  
Opinion of  
Mr. Hat of San  
Francisco dated  
Jan 16, 17 relating  
to Seattle  
notes & warrants  
G.H.



*Walt's memo attached*  
*S.F.*

#12

FEDERAL RESERVE BANK  
333.2

333.267

February 13, 1917.

Mr. John Perrin,  
Chairman of the Board,  
Federal Reserve Bank,  
San Francisco, Calif.

Dear Mr. Perrin:-

The Board has given due consideration to your letter of January 17th with which you sent a copy of Mr. Gavin McNab's letter of January 16th in reference to warrants issued by the City of Seattle. I quote below Counsel's opinion, in which the Board concurs:

"The Board has heretofore consistently adhered to its policy of not undertaking to pass upon the legality of issue of any municipal securities. There are so many technical questions involved that it would be impossible for this office to give an opinion of value as to the legality of any issue. To do so would require a careful analysis of the laws of the State in each case and an examination of the records of the city or town issuing such securities in order to determine whether the laws had been strictly and technically complied with. You will recall that for this reason the Board requires the opinion of recognized counsel or of counsel for the city or town issuing the securities as a condition precedent to their purchase by a Federal Reserve Bank. I agree with counsel for the bank that, assuming that these warrants have been legally issued, it would be necessary for the Board to waive that provision of the regulation which requires taxes to be payable before the maturity of the warrant in order for the Federal Reserve Bank of San Francisco to purchase any of these warrants."

The Board is further of the opinion that a Federal Reserve Bank should not buy a non-negotiable warrant, and it would suggest further that in considering the purchase of warrants issued by a municipality it would be well to ascertain what the sinking fund requirements are with reference to bonded obligations of the municipality and whether or not these requirements are being complied with. The Federal Reserve Bank of Cleveland several months ago purchased some warrants of the City of Toledo, which were in proper form and for the liquidation of which there was an assured revenue accruing within six months, but it seems that certain sinking fund provisions had not been complied with and bond holders took steps to restrain the City treasurer from paying out tax receipts for current obligations, the result being that the Cleveland Bank did not receive reimbursement until after a new bond issue

BOARD FILE

-2-

had been voted upon by the people of Toledo in the November election.

Very truly yours,

Governor.

File Op-101-169

333,2(17)

February 10, 1917.

My dear Mr. Hamlin:

From the attached file it appears that Mr. Perrin transmitted "for your files" copy of the opinion of Counsel to the Bank with reference to the eligibility of temporary obligations of Seattle. You have asked for an opinion of this office on the question considered.

It appears from the opinion of Counsel, (1) that there is serious doubt of the power of the City of Seattle to discount its negotiable notes, (2) that the warrants do not comply with the present regulations of the Board in that the taxes are not payable before their maturity.

The Board has heretofore consistently adhered to its policy of not undertaking to pass upon the legality of issue of any municipal securities. There are so many technical questions involved that it would be impossible for this office to give an opinion of value as to the legality of any issue. To do so would require a careful analysis of the laws of the State in each case and an examination of the records of the city or town issuing such securities in order to determine whether the laws had been strictly and technically complied with. You will recall that for this reason the Board requires the opinion of recognized counsel or of counsel for the city or town issuing the securities as a condition precedent to their purchase by a Federal reserve bank. I agree with counsel for the bank that, assuming that these warrants have been legally issued, it would be necessary for the Board to waive that provision of its regulation which requires taxes to be payable before the maturity of the warrant in order for the Federal Reserve Bank of San Francisco to purchase any of these warrants.

Respectfully,

Hon. Charles S. Hamlin,

Federal Reserve Board.

MCE-C.

Counsel.

Dictated by \_\_\_\_\_

Approved by \_\_\_\_\_  
Counsel

169

333,2(12)

February 10, 1917.

My dear Judge:

Mr. Perrin has forwarded to the Board the attached opinion of Mr. McNab, relating to the eligibility of certain warrants of the City of Seattle., and Mr. Hamlin has forwarded the file to you with a request for an opinion.

It seems to me that the Board in a case of this sort should accept the opinion of the Federal reserve bank counsel inasmuch as it involves a consideration of certain local statutes which are not available for the use of this office. As far as I can see, the opinion of Mr. McNab seems sound, and in view of the fact that Mr. Perrin has forwarded it merely "for the files" of the Board, it does not seem that any further action by the Board is necessary. It seems to me that the proper thing would be for the Board either to file the opinion without further action; or if it desires to take any action, merely to state to the Federal Reserve Bank of San Francisco that in cases of this sort it should be guided by the opinion of its counsel. That is obviously what that bank thinks anyway.

Sincerely,



# FEDERAL RESERVE BOARD

WASHINGTON

M.C. ELLIOTT  
COUNSEL

February 10, 1917.

My Dear Mr. Hamlin:


From the attached file it appears that Mr. Perrin transmitted "for your files" copy of the opinion of Counsel to the bank with reference to the eligibility of temporary obligations of Seattle. You have asked for an opinion of this office on the question considered.

It appears from the opinion of Counsel, (1) that there is serious doubt of the power of the City of Seattle to discount its negotiable notes, (2) that the warrants do not comply with the present regulations of the Board in that the taxes are not payable before their maturity.

The Board has heretofore consistently adhered to its policy of not undertaking to pass upon the legality of issue of any municipal securities. There are so many technical questions involved that it would be impossible for this office to give an opinion of value as to the legality of any issue. To do so would require a careful analysis of the laws of the State in each case and an examination of the records of the city or town issuing such securities in order to determine whether the laws had been strictly and technically complied with. You will recall that for this reason the Board requires the opinion of recognized counsel or of counsel for the city or town issuing the securities as a condition precedent to their purchase by a Federal reserve bank. I agree with counsel for the bank that, assuming that these warrants have been legally issued, it would be necessary for the Board to waive that provision of its regulation which requires taxes to be payable before the maturity of the warrant in order for the Federal Reserve Bank of San Francisco to purchase any of these warrants.

Respectfully,

Hon. Charles S. Hamlin,  
Federal Reserve Board.

  
Counsel.

Con. ce. in law.

EW Harding

I suggest writing to Peirin

a) a Fed. Res. bank should not buy a non-negotiable instrument.

b) <sup>negotiable</sup> where <sup>^</sup>instruments are payable immediately the Board would consider waiving the Regulation in cases where the Taxes are payable within 60 days from date of instrument.

CSH

I would not complicate matters by putting this in. I suggest getting Elliotts letter go without change.

Edw.

#12 ✓  
FEDERAL RESERVE BOARD FILE  
~~333.2~~

333.2 (12)

k

January 23, 1917.

Mr. John Perrin,  
Federal Reserve Agent,  
San Francisco, Calif.

Dear Sir:

This is to acknowledge receipt of your letter  
of January 17th, enclosing copy of an opinion of your  
Counsel concerning the eligibility of temporary ob-  
ligations of Seattle.

Very truly yours,

Secretary.

FEDERAL RESERVE BOARD  
WASHINGTON

January 24, 1917.

Dear Judge Elliott:-

Will you kindly look over the  
within papers as to the eligibility of  
the temporary obligations of Seattle and  
give me an opinion thereon.

Sincerely yours,

*Ed Hamilton*

Judge Milton C. Elliott,  
Counsel, Federal Reserve Board.



No. 1039.

January 23, 1917.

FEDERAL RESERVE BOARD

MEMORANDUM

*To Mr. Elliott  
by whom  
case  
Jan 23.17*

*H.B.*

For Mr. Hamlin.

Under the regulations of the Board the following matter is referred to you as  
Chairman, Committee on  
Member, " "

Opinion of Counsel, Federal Reserve Bank, of San Francisco, concerning the eligibility of temporary obligations of Seattle.

*H.P. [Signature]*  
Secretary.

These papers are charged to you. If they are sent out of your office, kindly notify Secretary's office that the charge may be cancelled.

Please return this memorandum to the Secretary with copy of documents resulting from action taken, if any, that it may be placed on the docket.

REMARKS.

Date.

412.

333.2 (12)

Refer to  
Mr. Howell

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

JOHN PERRIN  
CHAIRMAN OF THE BOARD

January 17, 1917.

Federal Reserve Board,  
Washington, D. C.

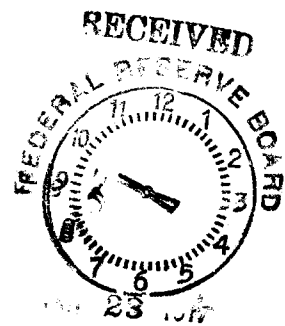
S i r s :

For your files, I hand you herewith  
copy of an opinion of our Counsel concern-  
ing the eligibility of temporary obligations  
of Seattle.

*ack*

Respectfully,

*John Perrin*  
Chairman of the Board.  
*gk*



GAVIN MCNAB

LAW OFFICES  
OF

GAVIN MCNAB

RICHARD P. HENSHALL  
LUTHER ELKINS  
A. H. JARMAN  
GEORGE W. MORDECAI  
OLIVER B. WYMAN  
NAT SCHMULOWITZMERCHANTS NATIONAL BANK BUILDING  
SAN FRANCISCO

January 16, 1917.

Federal Reserve Bank of San Francisco,  
25 New Montgomery Street,  
San Francisco, Cal.Attention Mr. John Perrin, Chairman of the Board.

Gentlemen:

Your letter of January 12th asking for our opinion as to whether warrants issued by the City of Seattle under the present law, as outlined by certain documents which you enclosed, are eligible for purchase by your bank under the Federal Reserve Act, has been duly received.

I have examined the Charter of Seattle and the other documents submitted and beg to report as follows:

1. Article 4, Sec. 25 (page 36) provides:

"TEMPORARY LOANS: The city council, after the taxes have been levied in any year, shall have power to make temporary loans in anticipation of the collection of such taxes, such loans to be applied to the purposes for which such taxes have been levied and to no other purpose, and such taxes shall be inviolably applied to pay such loans."

Under this Section the City of Seattle has the power to borrow money.

But the Charter does not seem to have provided for the execution or issuance of a note upon such loan, or prescribed who shall sign it. Where a municipal corporation has been given the power to borrow money, it is conceded that it has the implied power to issue an evidence of indebtedness; but this does not mean that it has the right to execute a negotiable promissory note, although it may issue a non-negotiable note. In the absence of power to issue

Federal Reserve Bank -2- Jan. 16\*17.

a negotiable note, specially conferred by charter or statute, it is a disputed point whether it had the right to execute such an instrument. In some States it has been held that the power to borrow money implies the power to issue a negotiable note, and in many States it is held that it is not implied. We have found no decisions of the Supreme Court of Washington upholding any such implied power, and, in the absence of such decisions, could not even hazard a guess as to what the holding of this Court would be.

5 McQuillan on Municipal Corporations, § 2161.  
1 Dillon on Corporations, 5th ed., § 291,  
vol. 2, § 873.

Unless your bank is willing to accept non-negotiable notes or warrants, we should say that the charter ought to be amended so as to specifically confer the power to issue negotiable notes and prescribe the formalities for executing them.

2. Under Article 9 of the Charter, the City of Seattle issues warrants for the payment of its current debts and expenses, which warrants, by the language of such Article, when duly issued, audited and approved, seem to be legal and binding obligations of the City, which it is the duty of the Treasurer to pay upon demand, that is, immediately after they are registered and delivered. In other words, they mature immediately.

As the taxes are not due, within the meaning of Regulation E, Series of 1916, Federal Reserve Board, until May 31st, they will not mature until after the warrants mature. According to Regulation E, section 1, subdivision b, the taxes must be due before the warrants are due, unless the provisions of subdivision b are waived by the Federal Reserve Board.

It has been suggested in the correspondence submitted to us that the warrants could be made payable at a day certain (less than six months), and that the due day be accelerated by issuing a call under Article 9 of the Charter, which call could be made so as to comply with the Charter provisions. We can not approve of this scheme.

Federal Reserve Bank -3- Jan. 16'17.

There seem to be several objections to such warrants:

First. If the warrants mature immediately, as seems to be the case, then they are not eligible, unless subdivision b, section 1, of Regulation E, be waived, for the reason that the taxes are not due before the warrants are due.

Second. The Charter does not seem to give authority to fix the date of maturity of the warrants at a day certain in the future.

3. Of course, warrants or notes which are to be purchased by your bank must comply with the provisions of Regulation E, Series of 1916. This regulation requires, among other things, that the City must have been in existence for ten years; that taxes must fall due before the maturity of such warrants or notes; that the City must not have defaulted in the payment of the principal and interest of any bonded debt within ten years; that its bonded indebtedness must not exceed ten per cent of its taxable property; that your bank can not hold more than twenty-five per cent of the total amount of the outstanding warrants, etc., etc.

We have not been furnished with the data necessary to say whether the City of Seattle can comply with the provision of Regulation E, nor do we understand that we have been asked for such an opinion. Of course, these matters should be investigated.

To summarize:

(1) Your bank can make a loan provided it is willing to take non-negotiable notes. It can buy up the warrants, provided the Federal Reserve Board will waive the provisions of subdivision b, section 1, Regulation E, Series of 1916.

(2) Unless your bank is willing to take non-negotiable notes, then, in order to render a loan under Article 4, section 25, of the Seattle Charter, entirely acceptable, the charter should specially confer the power to issue negotiable notes or other suitable evidences of indebtedness and prescribe the formalities for executing them.

Federal Reserve Bank -4- Jan. 16'17.

(3) Unless the waiver of the provisions of subdivision b, section 1, Regulation E, of the Federal Reserve Board, can be obtained, then, in order to render warrants which are issued before May 31 acceptable (except as collateral), the Charter ought to confer the power to issue warrants having a definite date of maturity reaching beyond the date after which taxes can not remain unpaid without a penalty.

Yours very truly,

GAVIN McNAB.

*Sd 333.2 #8  
for all papers*

*#12*

FEDERAL RESERVE BOARD  
333.2 #12

January 2, 1916.

333.2 (17)

My dear Mr. Perrin:

The Federal Reserve Board hereby approves the purchase by the Federal Reserve Bank of San Francisco of \$190,000 of warrants of the State of Mississippi, payable January 10, 1917, an amount which is in excess of twenty-five per centum of the total amount of eligible warrants outstanding at the time the purchase was made.

Very truly yours,

Governor.

Mr. John Perrin,  
Chairman, Board of Directors,  
Federal Reserve Bank,  
San Francisco, Calif.

GLH-C.

Dictated by *[Signature]*  
Approved by *[Signature]*  
Counsel

FEDERAL RESERVE BOARD FILE  
~~333-7~~  
~~262~~

#12

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

333.2 (12)

ADDRESS ALL COMMUNICATIONS TO  
FEDERAL RESERVE BANK

August 31, 1916

Federal Reserve Board,  
Washington, D. C. ,

S i r s :

We beg to acknowledge receipt of your telegram of  
even date as follows:

"Board approves your purchase  
Fifteen thousand Tax Anticipa-  
tion Certificates, Uintah School  
District, as recommended in  
telegram."

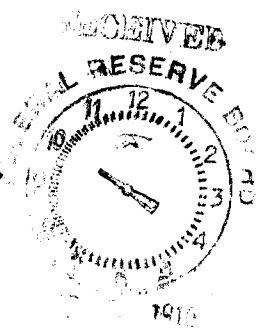
Thanking you, we are,

Respectfully,

*W. C. C. ...*  
Acting Deputy Governor

JUC/M

FILED  
SEP 5 1916  
Federal Reserve Board





TELEGRAM #12

FEDERAL RESERVE BOARD  
WASHINGTON

August 30, 1916  
FEDERAL RESERVE BOARD FILE  
262. 333 (12)

Federal Reserve Bank,  
San Francisco, Calif.

Board approves your purchase fifteen thousand tax anticipation certificates  
Utah School District as recommended your telegram.

Assistant Secretary.

# POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT

RECEIVED AT  
EVANS BUILDING  
8 NEW YORK AVENUE  
WASHINGTON, D. C.  
TELEPHONE: MAIN 6600

# TELEGRAM

DELIVERY NO. *h*

The Postal Telegraph-Cable Company (Incorporated) transmits and delivers this message subject to the terms and conditions printed on the back of this blank.

16W-27834

DESIGN PATENT No. 40529

Z 345 NY 43 COLLECT 432 P.M. GVT

MK SANFRANCISCO CAL AUG 30-16

FEDERAL RESERVE BOARD

WASH

*019*

*OK  
J. R. D.*

*OK*

PERMISSION REQUESTED TO PURCHASE FIFTEEN THOUSAND TAX  
ANTICIPATION CERTIFICATES UTAH SCHOOL DISTRICT AND COUNTY  
UTAH FLOATING DEBT THIRTY SEVEN THOUSAND DOLLARS TOTAL DEBT  
SIXTY THREE THOUSAND ASSESSED VALUATION FIVE MILLION  
POPULATION OVER TEN THOUSAND

GALKING ACTING DEPUTY GOVERNOR.

*Uintah School District certificates*

#12

3332(12)

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

FEDERAL RESERVE BOARD FILE  
262.

ADDRESS ALL COMMUNICATIONS TO  
FEDERAL RESERVE BANK

August 30, 1916

FILE  
SEP 6 1916

~~Federal Reserve Board~~

Federal Reserve Board,  
Washington, D. C.,

Dear Sirs:

We wired you to-day as follows, which we beg to confirm:

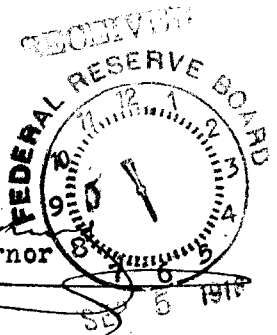
"Permission requested to purchase \$15,000 tax anticipation certificates Uintah School District and County, Utah. Floating debt \$37,000; total debt \$63,000. Assessed valuation, \$5,000,000. Population over 10,000."

The Uintah School District includes all of Uintah County, Utah, and we are informed that its population is 11,616, with an assessed valuation in 1916 of \$5,384,624. The net bonded debt is \$26,700; sinking fund, \$441.43; floating debt, including this issue, \$37,428.28.

These certificates are issued in denominations of \$5,000, a total of \$25,000, of which the \$15,000 which we wish to buy are due February 1, 1917, and \$10,000 June 30, 1917. They are certified as eligible for purchase by this bank, offered to net us 4%.

Yours respectfully,

*[Signature]*  
Acting Deputy Governor



JUC/M

*Utah School District certificates*

#12

3332(12)

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

FEDERAL RESERVE BOARD FILE  
262.

ADDRESS ALL COMMUNICATIONS TO  
FEDERAL RESERVE BANK

August 30, 1916

FILE

SEP 6 1916

Federal Reserve Board

Federal Reserve Board,  
Washington, D. C.,

Dear Sirs:

We wired you to-day as follows, which we beg to  
confirm:

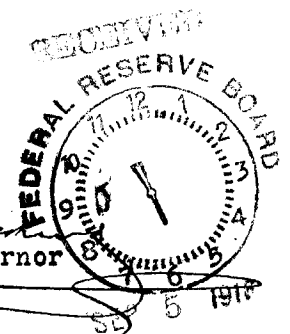
"Permission requested to purchase  
\$15,000 tax anticipation certifi-  
cates Uintah School District and  
County, Utah. Floating debt  
\$37,000; total debt \$63,000.  
Assessed valuation, \$5,000,000.  
Population over 10,000."

The Uintah School District includes all of Uintah  
County, Utah, and we are informed that its population is  
11,616, with an assessed valuation in 1916 of \$5,384,624.  
The net bonded debt is \$26,700; sinking fund, \$441.43;  
floating debt, including this issue, \$37,428.28.

These certificates are issued in denominations of  
\$5,000, a total of \$25,000, of which the \$15,000 which we wish  
to buy are due February 1, 1917, and \$10,000 June 30, 1917.  
They are certified as eligible for purchase by this bank,  
offered to net us 4%.

Yours respectfully,

*J. W. ...*  
Acting Deputy Governor



JUC/M

592

#12

3332(12)

Mr. *Franking*  
*[Signature]*

*Information*

RESERVE BANK  
SAN FRANCISCO

September 30, 1916

FEDERAL RESERVE BOARD FILE  
262.

FILE  
SEP 6 1916

Federal Reserve Board

as follows, which we beg to

Please return to  
Secretary's office.

SEP 5 1916

requested to purchase  
\$15,000 tax anticipation certifi-  
cates Uintah School District and  
County, Utah. Floating debt  
\$37,000; total debt \$63,000.  
Assessed valuation, \$5,000,000.  
Population over 10,000."

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County, Utah, and we are informed that its population is  
11,616, with an assessed valuation in 1916 of \$5,384,624.  
The net bonded debt is \$26,700; sinking fund, \$441.43;  
floating debt, including this issue, \$37,428.28.

These certificates are issued in denominations of  
\$5,000, a total of \$25,000, of which the \$15,000 which we wish  
to buy are due February 1, 1917, and \$10,000 June 30, 1917.  
They are certified as eligible for purchase by this bank,  
offered to net us 4%.

Yours respectfully,

*[Signature]*  
Acting Deputy Governor

RECEIVED  
FEDERAL RESERVE BOARD  
SEP 5 1916

JUC/M

333.2 (12)

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

ADDRESS ALL COMMUNICATIONS TO  
FEDERAL RESERVE BANK

August 21, 1916

Federal Reserve Board,  
Washington, D. C.,

S i r s :

We beg to acknowledge receipt of yours of August 15th,  
enclosing confirmation of your telegram approving our application  
for permission to purchase \$40,000 Jordan School District, Salt  
Lake County, Utah, Certificates of Indebtedness. These Certif-  
icates are due March 1, 1917, and will be delivered to us Septem-  
ber 1st, or later, at a price to net us 4%.

Yours respectfully,

*J. H. Canning*  
Acting Deputy Governor

JUC/M

**FILE**  
**AUG 28 1916**  
**FEDERAL RESERVE BOARD**  
**RECEIVED**  
**FEDERAL RESERVE BOARD**  
AUG 28 1916

*H 12*

FEDERAL RESERVE BOARD FILE  
*333-2*  
*H 2*

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

*333,2 (12)*

A. KAINS, GOVERNOR

August 15, 1916

Federal Reserve Board,  
Washington, D.C.,

S i r s :

We beg to confirm our wire to you of August 14th, reading,

"Permission requested to purchase \$40,000  
of total outstanding of \$88,000 Jordan  
School District, Salt Lake County, Utah,  
Certificates of Indebtedness otherwise  
eligible."

and to acknowledge receipt of and thank you for your wire of even date,  
as follows:

"Your request August 14th purchase \$40,000  
Jordan School District Certificates approved  
by Board to-day."

Yours faithfully,

*A. Kains*  
Governor

FILE  
AUG 21 1916  
Federal Reserve Board

RECEIVED  
FEDERAL RESERVE BOARD  
AUG 22 1916

Form 40

#12

TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

FEDERAL RESERVE BOARD FILE  
262

August 15, 1916.

Governor, Federal Reserve Bank, San Francisco, Cal.

333.2(2)

Your request August fourteenth purchase forty thousand  
dollars Jordan School District certificates approved by Board today.

Governor.

FILE  
AUG 15 1916  
Federal Reserve Board

OFFICIAL BUSINESS

GOVERNMENT RATES

CHARGE FEDERAL RESERVE BOARD



592.

(4)

Mr.

*Marking*

~~112~~  
GRAM

ERVE BOARD  
NGTON

FEDERAL RESERVE BOARD FILE

~~262~~

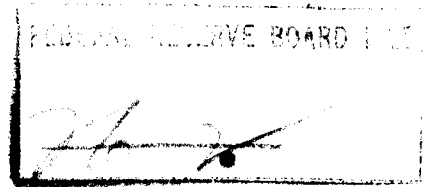
*J. K. Lunt*

Please return to

Secretary's office.

AUG 15 1916

#12



August 15, 1916. 333.2 (8)

Honorable A. Kains,  
Governor, Federal Reserve Bank,  
San Francisco, California.

Dear Governor Kains:

Enclosed is confirmation of telegram sent to you to-day, stating the approval of the Board given upon your request to purchase \$40,000 Jordan School District, Salt Lake County, Utah, certificates of indebtedness. This approval was given subject to the Federal Reserve Act and the regulations of the Board, and upon the statement of the matter contained in your telegram of August 14th.

It is of assistance to the Board to have the maturity and rate of earnings given when you can conveniently do this.

Very truly yours,

Governor.

Enclosure

Treasury Department

333.2(12)

TELEGRAM

35WU Hg <sup>25</sup> 1 12

mk Sanfrancisco Calif Aug 14 1052a

Federal Reserve Board

Washn

Permission requested to purchase forty thousand of total outstanding of eighty eight thousand Jordan School District SaltLake County Utah certificates of indebtedness otherwise eligible

A Kains  
Govr

237p

RECEIVED  
AUG 14 1916  
Federal Reserve Board

TREASURY  
DEPARTMENT  
AUG  
14  
1916  
TELEGRAPH  
OFFICE

#12  
1  
FEDERAL RESERVE BANK  
OF SAN FRANCISCO

FEDERAL RESERVE BANK FILE  
3332  
262  
333.2(12)

JOHN PERRIN  
CHAIRMAN OF THE BOARD

February 28th 1916

Federal Reserve Board  
Washington D. C.

S i r s :

This will acknowledge receipt of your telegram of February 26th granting permission to extend our investments under regulation F to about three million dollars (\$3,000,000), also permitting the extension of the limit of investment in New York City warrants by four hundred thousand dollars (\$400,000).

Respectfully

*John Perrin*  
Chairman

RECEIVED  
FEDERAL RESERVE BOARD  
MAR 6 1916

*bp*

Form 20

#12  
TELEGRAM

FEDERAL RESERVE BOARD  
WASHINGTON

FEDERAL RESERVE BOARD FILE  
362

February 26, 1916.

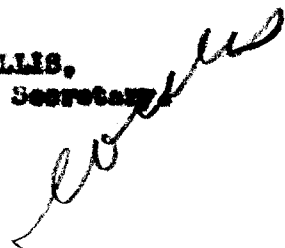
333.2(12)

C. J. Shepherd  
Federal Reserve Bank,  
San Francisco, Cal.

Your telegram February twenty fifth. Board agrees to limit of investment used  
or  
by you under Regulation F ~~and~~ about three million dollars. Also consents to  
extend limit in New York City warrants by four hundred thousand dollars as re-  
quested.

FEB 26 1916

WILLIS,  
Secretary



OFFICIAL BUSINESS  
GOVERNMENT RATES  
CHARGE FEDERAL RESERVE BOARD

Treasury Department

3332 (12)

TELEGRAM

31WU H 111 collect govt

Mk Sanfrancisco Calif Feb 25 1916

Federal Reserve Board

Washn

TELETYPE UNIT  
FEB 25 1916  
TREASURY DEPT.  
WASHINGTON

Your letter May fifteenth nineteen fifteen quote the board  
to permit the ~~federal~~ Federal Reserve Bank of Sanfrancisco to extend  
its investments for the present to an amount equal to  
twenty percent of members deposits or roughly three million dollars  
instead of one and half million dollars end quote Please  
confirm as applying to present time at twenty percent of  
present deposits in investments under regulation F stop. Also  
please grant permission to exceed limit of NewYorkCity warrants by  
four hundred thousand dollars as we have opportunity to purchase  
three hundred thousand dollars additional today under present conditions strongly  
recommend extension requested.

Shepherd Asst to Chairman

310p

RECEIVED

FEB 25 1916

306p

Federal Reserve Board

#12

FEDERAL RESERVE BOARD FILE	
333	7
<del>2670</del>	

333,2(12)

February 9, 1916.

Mr. A. Kniss,  
 Governor, Federal Reserve Bank,  
 San Francisco, California.

Gentlemen:

Replying to your letter of the 4th instant, in which you state that through inadvertence on your part you have purchased and hold warrants in excess of the limit of five per cent of your deposits, fixed by Regulation F, to the amount of \$38,362.49, and in which you request the approval by the Board of the purchase of \$403,092.22 of City of New York warrants, I beg to advise you that the matter has been presented to the Board and the purchase approved.

Respectfully,

Secretary.

3332(12)

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

ADDRESS ALL COMMUNICATIONS TO  
FEDERAL RESERVE BANK

February 4th 1916

Federal Reserve Board  
Washington D. C.

S i r s :

We find that we have inadvertently purchased warrants issued by the City of New York in excess of the amount permitted by Regulation F, paragraph 4. We now have on hand \$121,132.19 (maturity value) City of New York warrants, due June 5th. We purchased yesterday through a broker \$400,000 City of New York warrants due June 10th (maturity value \$403,089.58). The Federal Reserve Bank of New York purchased yesterday \$6,000,000 City of New York warrants, and, under an arrangement previously made, we expected to receive as our allotment, six per cent of this sum or \$360,000. However, in this particular instance, the Federal Reserve Bank of New York allotted us \$403,092.22\*, making our total

holdings of New York City warrants,	\$927,313.99
Five per cent of our deposits as of yesterday's date is	<u>888,951.50</u>
Excess holdings would therefore appear to amount to	\$ 38,362.49

Considering the high standard of the above investment and our need for the additional income therefrom, we respectfully request your approval of the above purchases.

Respectfully

*A. Kains*

\* (maturity value)

Governor  
FEB 6 1916



(412)

No. <sup>353</sup> 303

Feb. 9, 1916.

FEDERAL RESERVE BOARD

MEMORANDUM

For Mr. Miller.

Under the regulations of the Board the following matter is referred to you through the Chairman of the Committee on Investments, as Chairman, Committee on

Member, " " Operation of F. R. Banks:

The attached letter, dated Feb. 4, of Gov.

Kains of San Francisco, re an excess purchase of warrants.

*AS*  
*2/10*

*[Handwritten signature]*

*[Handwritten signature]*  
Secretary.

Please return this memorandum to the Secretary with copy of documents resulting from action taken, if any, that it may be placed on the docket.

R E M A R K S .

Date.

*Palmer Bond  
Mortgage Co.*

*#12*

FEDERAL RESERVE BOARD FILE  
*333.2*  
*262.*

August 25, 1915.

*333.2(12)*

Dear Mr. Perrin:-

This will acknowledge the receipt of your letter of August 20th enclosing copy of a letter sent by you to the Palmer Bond and Mortgage Company.

Please accept my appreciation of your courtesy in the matter.

Very respectfully,

Assistant Secretary.

Mr. John Perrin,  
Federal Reserve Agent,  
San Francisco, Calif.

#12

Treasury Department

TELEGRAM

11PO MO 17 Collect Govt

REASURY DEPT.	
FEDERAL RESERVE BOARD	
AUG 24 1915	
TELEGRAPH OFFICE.	

262.

MK SAN FRANCISCO Cal, Aug 24 1915

333.2 (12)

Federal Reserve Board

Washington, D.C.

FILM  
AUG 24 1915  
FEDERAL RESERVE BOARD

Telegram twenty third palmer letter answered copy sent twentieth

Perrin, Chairman

225pm

Handwritten signature in cursive script, possibly reading "L. B. Nichols".

Form 40

TELEGRAM  
FEDERAL RESERVE BOARD  
WASHINGTON

333.2(17)

August 23, 1915.

Federal Reserve Agent,  
San Francisco, Calif.

Your letter August sixteen. Have you yet received Palmer letter.

Assistant Secretary.

333.2(12)

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

JOHN PERRIN  
CHAIRMAN OF THE BOARD

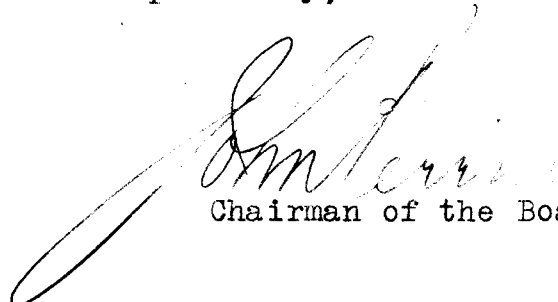
August 20th, 1915.

Federal Reserve Board,  
Washington, D.C.

S i r s :

Herewith are enclosed letter dated July 31st, addressed to Mr. H. Parker Willis, Secretary, by Palmer Bond & Mortgage Company; also, copy of my reply thereto in accordance with the request contained in your letter of 11th inst.

Respectfully,



Chairman of the Board.

**PALMER BOND AND MORTGAGE CO.**  
WALKER BANK BUILDING  
SALT LAKE CITY

July 31, 1915.

Mr. H. Parker Willis, Secretary,  
Federal Reserve Board,  
Washington, D. C.

Dear Sir:

As purchasers of revenue notes and warrants in behalf of member banks, we wish to be advised as to the interpretation of Federal Reserve Board of the introductory paragraph under the term "definition of net funded indebtedness" on page three of circular No. 7, series of 1915.

This sentence says that the gross indebtedness of the municipality shall be interpreted to include "the amount of any school district or other bonds which depend for their redemption upon taxes levied upon property within the municipality".

A literal interpretation of this clause in the case of states and counties might be taken to require a complete financial statement of every incorporated city, town, village and school district within the state or county. The laws of Utah make no provision for the registration of such debts with the secretary of state or any other official and it would be a practical impossibility to secure the detailed data from the local officials of several hundred cities, towns, villages, school districts and counties.

We wish to be advised:

1. - In the case of states, is the net debt to be figured only on the basis of direct obligations of the state, without regard to the debts of cities, school districts and other public corporations within its borders?

2. - In the case of counties, is the net debt to be figured on the direct obligations of the county alone, without taking into consideration the debts of incorporated cities, towns, villages and school districts within its borders? In this connection it may be stated that the constitutional debt limit for counties of Utah is 2% of the assessed valuation, for school districts 4%, and for cities and towns 4% for general purposes.

3. - In the case of school districts which include a number of incorporated cities, towns and villages, is it required to take into consideration the funded debt of these cities, towns and villages, when in the aggregate they do not include the entire area of the school district or any considerable part thereof?

We know that the solicitor for the Postal Savings Department has not placed any such restrictions on state bonds, and it is our understanding that the clause in question is applied literally

**PALMER BOND AND MORTGAGE CO.**  
WALKER BANK BUILDING  
SALT LAKE CITY

-2-

only in the case of incorporated cities, towns and villages or in the case of school districts the voundaries of which co-ordinate with that of the municipality. We would, however, like a definite ruling from the Federal Reserve Board so that banks purchasing these securities will feel sure of what might occur in case they should wish to turn these warrants over to the Federal Reserve Bank.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. B. Palmer".

President.



*Not funded  
"industrial business" school  
bonds*

# 12

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

FEDERAL RESERVE BOARD FILE  
262.

JOHN E. EHRIN  
CHAIRMAN OF THE BOARD

August 19th, 1915

3332(12)

The Honorable Sherman Allen,  
Assistant Secretary, Federal Reserve Board,  
Washington, D. C.

Dear Mr Allen:

I have today received from Mr E. B. Palmer, of  
Palmer Bond & Mortgage Company, Salt Lake City, his letter  
addressed to the Board under date of July 31st, and your letter *to me*  
of August 11th concerning it, which two letters were apparently  
enclosed in error to Mr. Palmer.

The matter will have my attention.

Respectfully,

*John E. Ehrin*  
Chairman of the Board.

FILED  
AUG 24 1915  
Federal Reserve Bank

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

333.2(17)

JOHN PERRIN  
CHAIRMAN OF THE BOARD

August 16, 1915

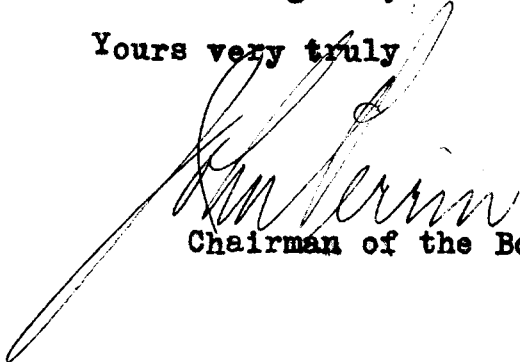
The Honorable Sherman Allen  
Ass't Sec'y Federal Reserve Board  
Washington D. C.

Dear Mr Allen:

Your letter of the 11th instant has been received referring to an inquiry of Mr E. B. Palmer president of the Palmer Bond and Mortgage Company of Salt Lake City. This letter has not yet been received and it would perhaps be well for you to verify the fact that it was forwarded.

I take note of Mr Harding's expression, which you mention. This will guide us in considering any such bonds. With kind regards,

Yours very truly

  
Chairman of the Board

JP/HC

*Not funded under Federal Reserve Act  
School bonds*

FCM

#12

FEDERAL RESERVE BOARD FILE  
262.

333.2 (12)

August 11, 1915.

Mr. John Perrin,  
Federal Reserve Agent,  
San Francisco, Calif.

Dear Mr. Perrin:-

I have just forwarded to you, at the direction of the Board, a letter bearing upon the inquiry of Mr. E. B. Palmer, President of the Palmer Bond and Mortgage Company, Salt Lake City. Mr. Palmer asks the definition of "not funded indebtedness", given in Regulation F, Series of 1915.

In showing this letter to Mr. Harding, he suggests that it might be well to say to you in this connection that there is a broad difference between the bonds of different school districts, and that if the Federal Reserve Bank of San Francisco were to take over any such bonds, the examination by Counsel required under the regulation should be a searching one.

With personal regards and good wishes, I have the honor to be

Very respectfully

Assistant Secretary.

LOR

333,2(12)

August 11, 1915.

Dear Sir:

The Federal Reserve Board is in receipt of the enclosed letter from E. B. Palmer, President of the Palmer Bond and Mortgage Company, Walker Building, Salt Lake City, relating to the construction of the definition of "net funded indebtedness", given in Regulation F, Series of 1915.

The letter has been referred to Counsel for the Board, who makes the following comment upon it:

"You are advised that the term "municipality", as used in this regulation, is specifically defined to mean "state, county, district, political sub-division, or municipality in the continental United States, including irrigation, drainage, and reclamation districts". In other words it refers only to the state, county or district, etc., the bonds or warrants of which are under consideration. With that explanation in view it seems clear that the gross indebtedness of a state, for instance, includes only the obligations of that state and not of the political sub-divisions located within its boundaries.

"The questions presented in your letter should, therefore, be answered as follows:-

- (1). The net indebtedness of a state is to be computed on the basis of the direct obligations of that state without regard to the debts of cities, school districts and other public corporations within its borders.
- (2). In the case of counties the net indebtedness is to be computed on the basis of the direct obligations of the county without considering the debts of cities, towns or villages located within its borders.

- 2 -

- (3). In the case of school districts the net funded indebtedness is computed on a basis of the obligations of that district without including the obligations of cities, towns or villages which may be located within the district. This would seem to be so whether or not said cities, towns or villages include the entire area of the school district, it being understood that the property located in such cities, towns and villages is itself taxable by the school district."

Counsel also directs attention to Paragraph 3 of the letter which relates to the question of warrants of school districts, and on this question says:

"There is no doubt in my mind about the answer to this question except on the more fundamental point whether warrants of school districts are eligible for purchase by Federal reserve banks. Mr. Jacobson reports that a number of such warrants have already been bought by various banks, and that no distinction has been made between them and those of any drainage or reclamation district. School districts are not specifically mentioned in the act, but it would seem that Section 14 (B) is broad enough to include them on the same ground that it does irrigation and reclamation districts."

"I felt, however, that I should point out the distinction between the two for your consideration."

This matter was laid before the Board at a meeting held yesterday and I am directed to communicate the substance of Counsel's statement to you, as above, with the request that after examining it you reply to Mr. Palmer directly, returning his letter for the files of the Board with a copy of your answer.

Very respectfully,

Assistant Secretary.

Mr. John Perrin,  
Chairman, Board of Directors,  
Federal Reserve Bank of San Francisco.

Enclosures.

Form 42.

**RECEIVED**  
FEDERAL RESERVE BOARD  
OFFICE OF COUNSEL

AUG 9 1915

GOVERNOR'S OFFICE

DATE: August 9, 1915.

SUBJECT:

My dear Governor:

Attached is a suggested form of reply to the letter from the Palmer Bond and Mortgage Company, Salt Lake City, which was referred to this office for consideration, and then to you for action as chairman of the executive committee.

I would like to call attention to paragraph (3) which relates to the question of warrants of school districts. There is no doubt in my mind about the answer to this question except on the more fundamental point whether warrants of school districts are eligible for purchase by Federal reserve banks. Mr. Jacobson reports that a number of such warrants have already been bought by various banks, and that no distinction has been made between them and those of any drainage or reclamation district. School districts are not specifically mentioned in the act, but it would seem that Section 14 (B) is broad enough to include them on the same ground that it does irrigation and reclamation districts.

I felt, however, that I should point out the distinction between the two for your consideration.

Respectfully.

*G. Harrison*

EX-OFFICIO MEMBERS  
WILLIAM G. MCADOO  
SECRETARY OF THE TREASURY  
CHAIRMAN  
JOHN SKELTON WILLIAMS  
COMPTROLLER OF THE CURRENCY

CHARLES S. HAMLIN, GOVERNOR  
FREDERIC A. DELANO, VICE GOVERNOR  
PAUL M. WARBURG  
W. P. G. HARDING  
ADOLPH C. MILLER

H. PARKER WILLIS, SECRETARY

FEDERAL RESERVE BOARD

WASHINGTON

333-2 (12)  
ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

August 9, 1915.

Sir :

Your letter of July 31, relating to construction of the definition of "net funded indebtedness" given in Regulation F, Series of 1915, was duly received and referred to the Board.

You are advised that the term "municipality," as used in this regulation, is specifically defined to mean "state, county, district, political sub-division, or municipality in the continental United States, including irrigation, drainage, and reclamation districts." In other words it refers only to the state, county or district, etc., the bonds or warrants of which are under consideration. With that explanation in view it seems clear that the gross indebtedness of a state, for instance, includes only the obligations of that state and not of the political sub-divisions located within its boundaries.

The questions presented in your letter should, therefore, be answered as follows:-

- (1). The net indebtedness of a state is to be computed on the basis of the direct obligations of that state without regard to the debts of cities, school districts and other public corporations within its borders.
- (2). In the case of counties the net indebtedness is to be computed on the basis of the direct obligations of the county without considering the debts of cities, towns or villages located within its borders.
- (3). In the case of school districts the net funded indebtedness is computed on a basis of the obligations of that district without including the obligations of cities, towns or villages which may be located within the district. This would seem to be so whether or not said cities, towns or villages include the entire area of the

*OK but have letter add. to SRA to account to Palmer HPW  
Ad meeting Aug 10 '15 HPW*

E. B. Palmer

8-9

#2

school district, it being understood that the property located in such cities, towns and villages is itself taxable by the school district.

Respectfully,

Secretary.

Mr. E. B. Palmer, President,  
Palmer Bond and Mortgage Co.,  
Walker Bank Building,  
Salt Lake City, Utah.



#12

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

FEDERAL RESERVE BOARD FILE  
9832  
~~262~~

333.2(17)

JOHN PERRIN, CHAIRMAN

FILE  
MAY 24 1915  
Federal Reserve Board

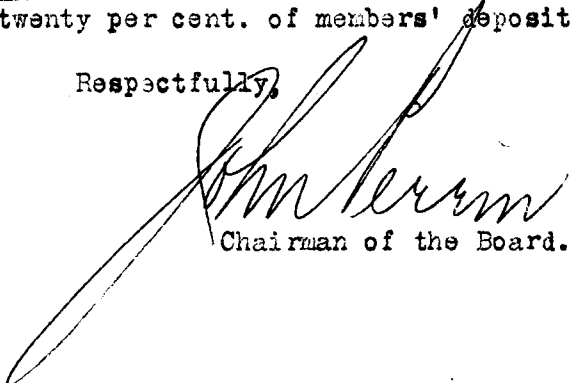
May 19, 1915.

Federal Reserve Board,  
Washington, D. C.

S I R S :

Receipt is acknowledged of your letter of 15th instant  
advising that authority has been given for this bank to extend  
its investments in municipal warrants for the present to an  
amount equal to twenty per cent. of members' deposits.

Respectfully,



Chairman of the Board.

JP/M

RECEIVED  
FEDERAL RESERVE BOARD  
MAY 24 1915  
SAN FRANCISCO

*Purchase  
of Municipal  
Bonds*

*#12*

FEDERAL RESERVE BOARD FILE  
262.

*333.2(12)*

May 15, 1935.

Sir:

Your letter addressed to Mr. A. C. Miller,  
member of the Federal Reserve Board, under date  
of May 5, was brought before the Board at its meet-  
ing yesterday morning.

The Board voted to permit the Federal Re-  
serve Bank of San Francisco to extend its invest-  
ments for the present, to an amount equal to 20%  
of members deposits, or, roughly, \$5,000,000 in-  
stead of \$1,500,000.

I have the honor to be,

Respectfully yours,

Secretary.

Mr. John Perrin,  
Chairman, Board of Directors,  
Federal Reserve Bank of San Francisco.

333.2(12)

FEDERAL RESERVE BOARD

WASHINGTON

gk

0711

May 14, 1915 MAY 14 1915

Federal Reserve Board

Dear Dr. Miller:

Upon my return I notice the appended letter.

I think we should act favorably on this and suggest you bring it up for discussion at a Board meeting today or tomorrow.

Sincerely yours,

*W. W.*

Dr. A. C. Miller.

\*Inc.

NON-CONFIDENTIAL  
COLLECTED BY  
ATTORNEY GENERAL  
RECORDS SECTION

*Municipal  
warrants -  
Perrin -*

# 12

FEDERAL RESERVE BOARD FILE  
~~333~~  
~~262~~

333.2 (12)

May 11, 1915.

Mr. John Perrin,  
Chairman of the Board and Federal Reserve Agent,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Mr. Perrin:

Your note of the 3rd instant with copy of the proposed amendment to the municipal indebtedness act of California raising the limit of indebtedness that may be incurred to twenty-five per cent. is at hand. The unwisdom of the amendment is manifest, as its sponsors will doubtless in time learn with regret. It would have been unwise, however, for the Reserve Board to have been drawn officially into the matter; and I am glad that you spared the Board the necessity of refusing to give advice on such matters except when they become in concrete cases matters for the Board's action.

Reference to the Board's Regulation F, Series 1915, will disclose the Board's attitude. It is there provided that warrants of a municipality whose net funded indebtedness exceeds ten per cent. of its taxable property are not admissible to purchase by a Federal Reserve Bank. This of course carries with it the implication that ten per cent. should be regarded as the maximum limit up to which obligations might properly be incurred. I am wondering

-2-

how the amendment, if passed as you definitely believed it would be, will affect your position with reference to the purchase of warrants. I should doubt whether well administered municipalities would care to exceed the ten per cent. limit, when advised that from the point of view of good banking and finance as expressed in the Federal reserve system, this would make their obligations ineligible.

Sincerely yours,

**A. C. MILLER**

P. S.

Since dictating the above, clippings from the San Francisco press have come to hand indicating that Governor Johnson has vetoed the amendment. I am delighted.

A. C. M.

333.2 (12)

May 10, 1915.

Mr. John Perrin,  
Chairman of the Board and Federal Reserve Agent,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Mr. Perrin:

Your note of May 5th is at hand presenting considerations which have led you to inquire of me whether I think the Federal Reserve Board would look with favor upon a request from your Bank to allow it under present conditions to purchase warrants up to an amount of \$3,000,000. I appreciate the force of the reasons which have led you to your conclusion. They seem to me good ones, and I believe the Federal Reserve Board will share your view. Three members of the Board are absent at the present time, but on Thursday next the executive committee will meet and I shall at once bring the matter to its attention and advise you telegraphically of its view. There is no doubt that what the committee recommends in this matter will have the sanction of the Board when it meets. Some requests similar to yours have already had the approval of the Board, where it was satisfied that the increased investment in warrants would not impinge upon funds that would otherwise find investment in discount operations, and such seems very clearly to be your case.

Sincerely yours,

A. C. MILLER

333-2(12)

## FEDERAL RESERVE BOARD

WASHINGTON      May 10th, 1915.

M. C. ELLIOTT  
COUNSEL

My dear Dr. Miller:-

In reference to the attached: The only bearing it has on the Federal Reserve Act is that such bonds would probably be ineligible for purchase by Federal reserve banks. Regulation "F", Series 1915, provides in terms that in order for such bonds to be eligible the net funded indebtedness of the municipality must not exceed ten per cent of its taxable property. This is generally considered the maximum that should be permitted and the more conservative houses prefer to handle bonds of municipalities whose net funded indebtedness does not exceed seven or eight per cent.

It might be advisable, therefore, to wire Mr. Perrin that while the Board does not feel it proper to make any suggestions as to State legislation, this amendment, if passed, might preclude the purchase of such bonds by Federal reserve banks.

Very sincerely,



Dr. A. C. Miller,  
Federal Reserve Board.

333.2(12)

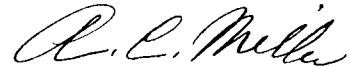
FEDERAL RESERVE BOARD

May 10, 1915.

Memorandum for the Counsel:

Will you look over copy of amendment attached to Mr. Perrin's letter and advise me whether you can find that it has any bearing upon either the construction or the administration of the Federal Reserve Act? So far as I can see, it is of very remote interest to us, and therefore no concern of ours.

Very truly yours,



M. C. Elliott, Esq.,  
Counsel, Federal Reserve Board.



FEDERAL RESERVE BANK  
OF SAN FRANCISCO

JOHN PERRIN, CHAIRMAN

May 5th, 1915.

MAY 10 1915  
COPY CIRCULATED

WARRANTS.

The Honorable A. C. Miller,  
Federal Reserve Board,  
Washington, D. C.

Dear Professor Miller :

The regulations for the purchase of warrants limit us to an amount equal to 10 percent of deposits from member banks.

I heartily agree with the wisdom of this restriction and fully recognize that the Federal Reserve banks more fully comply with the fundamental purpose of their creation in confining their investments almost wholly to short time liquid paper. However, it appears to me that various elements of the present situation may justify a moderate digression from the obviously sound general policy.

Some of these elements are as follows :-

There has been such general liquidation that under present conditions of curtailed business, there seems no possibility of any important stringency during the coming six months. Six months maturities purchased now mature in November, the month in which the credit strain is normally greatest. The running off of November maturities would consequently fortify at a time when the need, if any, would be greatest.

There seems to be a special defence for investments in Municipal warrants payable at such a time.

Investments of a strictly commercial character would possibly have the final payment more largely out of commercial funds. Municipal warrants, on the other hand, would be payable out of tax receipts which naturally draw in a considerable proportion of funds not normally used in commercial channels.

(2)

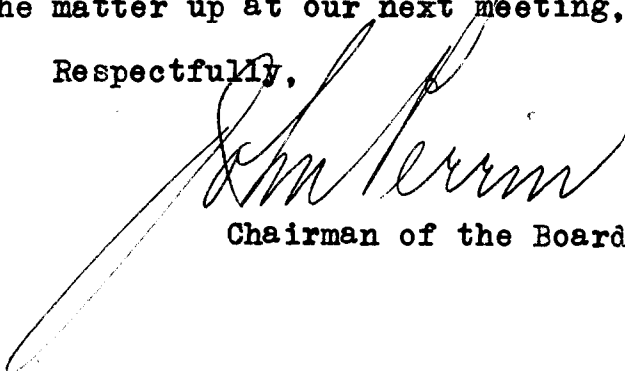
The Honorable A. C. Miller, Washington, D. C.

The Federal Reserve System needs for its best development a period of reasonable freedom from political attack in order that by the results achieved it may demonstrate, even to the uninformed and the unthinking, its successful operation. While earnings from an economic viewpoint, are perhaps unnecessary and should not be regarded as of primary consequence, yet it appears to me that the desirability of reasonable earnings is of almost primary importance as a means of inducing a favorable attitude on the part of member banks, upon whose co-operation the ultimate success of the Federal Reserve System must rest, and as a means of disarming public criticism which seems to address itself chiefly to this non-vital point. The public statement of the fact that the Federal Reserve Bank of San Francisco is now earning at a rate in excess of its expenses usually elicits applause, even from bankers. I have, however, always accompanied such statement with the further statement that the present expenses are at a rate less than one-fiftieth of 1 percent of the loans and investments of member banks in this district. It is of course a trite saying that nothing succeeds like success, but it is none the less true that there is cumulative force in a quick demonstration of success. Even if the public standard of the measure of success is unsound and uneconomic, yet if important success can be demonstrated according to the public standard without jeopardy, it appears to me that there is much to be said in favor of striving for that success by way of winning the bankers and the public more fully to approval and co-operation as a means to the fullest measure of success as gauged by sound and economic standards.

The foregoing outline the basis for a request to be permitted to extend our investments in warrants this spring to an amount equal to 20 percent of members deposits, roughly \$3,000,000. instead of \$1,500,000. Governor Kains and I have discussed this matter and are in accord in presenting this tentative request.

If you advise me that the Federal Reserve Board will look with favor upon such a request but that before granting it, it would be desired that the matter should first be approved by our board of directors, I will bring the matter up at our next meeting, May 18th.

Respectfully,



Chairman of the Board.

P/S

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

333.2 (12)

JOHN PERRIN, CHAIRMAN

May 3rd, 1915.

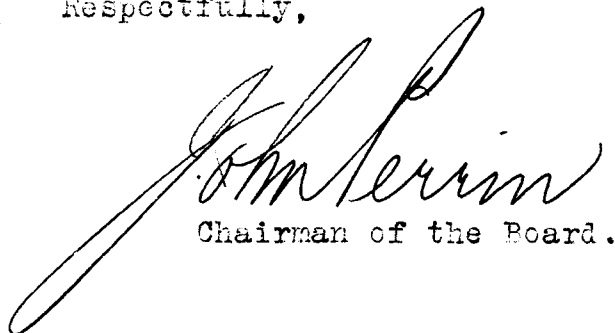
The Honorable A. C. Miller,  
Federal Reserve Board,  
Washington, D. C.

Dear Professor Miller :

Herewith I enclose copy of a measure which has passed both Houses of the California Legislature and will become a law, as I am told, unless vetoed by Governor Johnson tomorrow.

I was requested to telegraph the Federal Reserve Board submitting the facts and requesting an expression of opinion as to the wisdom of enacting such a law. This I declined to do, although having no doubt that your view would be the same as my own, viz; that the measure is exceedingly unwise and will have an unfortunate effect upon the market for California Municipal bonds.

Respectfully,

  
Chairman of the Board.

P/S

Amended in Assembly April 8, 1915.  
Amended in Senate March 23, 1915.

SENATE BILL

No. 1057

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INTRODUCED BY SENATOR BREED,  
January 29, 1915.

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REFERRED TO COMMITTEE ON MUNICIPAL CORPORATIONS.

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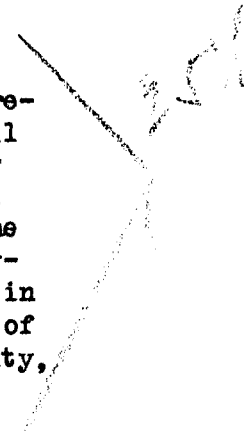
A N A C T

To Amend Section Four of an Act Entitled "An Act Authorizing the incurring of indebtedness by Cities, Towns and Municipal Corporations for Municipal Improvements and Regulating the Acquisition, Construction, or Completion Thereof", which became a Law under Constitutional Provision Without the Governor's Approval February 15, 1901.

The people of the State of California do enact as follows:

1 Section 1. Section four of an act entitled "An act author-  
2 izing the incurring of indebtedness by cities, towns and  
3 municipal corporations for municipal improvements and regu-  
4 lating the acquisition, construction, or completion thereof,"  
5 which became a law under constitutional provision without the  
6 governor's approval February 15, 1901, is hereby amended to  
7 read as follows:

8 Sec. 4. No city, town or municipal corporation shall incur  
9 indebtedness for public improvements which shall in the aggre-  
10 gate exceed ~~twenty-five per cent~~ of the assessed value of all  
11 the taxable real and personal property of such city, town or  
12 municipal corporation; nor shall any city, town or municipal  
1 corporation incur, for public improvements other than for the  
2 purchase or original construction of public works for supply-  
3 ing its inhabitants with water, an indebtedness which shall in  
4 the aggregate exceed fifteen per cent of the assessed value of  
5 all the taxable real estate and personal property of such city,  
6 town or municipal corporation.



FCM.

*Purchase of  
Warrants.*

*#12*

FEDERAL RESERVE BOARD FILE  
*3332*  
*267.*

*333.2(12)*

April 8, 1915.

Dear Sir:-

Your letter of April 2nd, giving details as to the purchase of warrants by your bank, is received.

It is noted that in the purchase of these warrants you are relying upon the approval of the Counsel of the Federal Reserve Bank which offers them to you. This is in accordance with the oral understanding of the Board with the Federal reserve agents at the meeting early in the year in Washington.

Respectfully,

Secretary.

Mr. John Perrin,  
Federal Reserve Agent,  
San Francisco, Calif.

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

3332 (12)

JOHN PERRIN, CHAIRMAN

April 3, 1915.

Purchase of Warrants upon approval of Counsel  
of another Federal Reserve Bank.

Federal Reserve Board,  
Washington, D. C.

S i r s :

We have been purchasing warrants and certificates of indebtedness as well as acceptances through the Federal reserve bank of New York. As an illustration, \$50,000 has been apportioned to us of a purchase by them of \$500,000 par value, City of Yonkers, New York 2 7/8% certificates of indebtedness dated March 29, 1915, due August 26, 1915, on a 2 3/4% basis.

The Federal reserve bank of New York has sent us certain certificates of the Municipal officers, etc., but we are disregarding these and relying upon the approval of the counsel of the Federal Reserve bank of New York in accordance with my recollection of the conclusion reached in a verbal discussion of this point at the last conference of the Federal Reserve Board with Federal reserve agents. It is my recollection that it was then stated that it would have the approval of the Federal Reserve Board if such purchases were

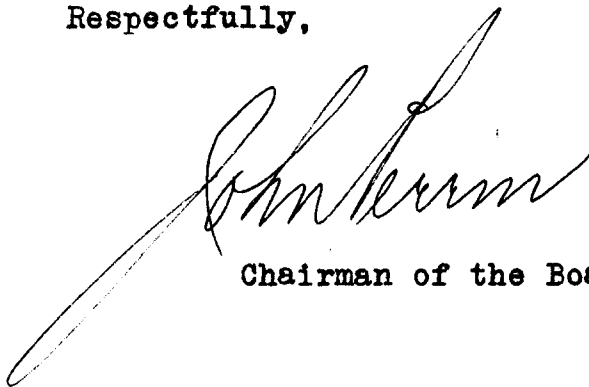
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Federal Reserve Board, Washington, D. C.

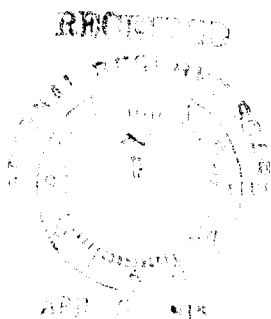
made by one Federal reserve bank upon the approval either of its own counsel, or of the counsel of any other Federal reserve bank.

If I am in error in regard to this, kindly advise me.

Respectfully,



Chairman of the Board.



P/S