

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

Decision No. 1381

In the matter of the application of California Street Cable Railroad Company for authority to issue bonds.

Application No. 1381.

Allen G. Wright, for applicant.

LOVELAND, Commissioner.

O P I N I O N

This is an application by California Street Cable Railroad Company for authority to issue \$384,000 of first mortgage 6 per cent serial bonds for the purpose of refunding an outstanding issue of bonds. The bonds which the applicant proposes to issue will mature annually in blocks ranging from \$24,000, due in January, 1916, to \$46,000, due on January 1, 1927.

California Street Cable Railroad Company was incorporated July 21, 1884. It has an authorized issue of \$1,000,000 of bonds, of which \$900,000 were sold. Through the operation of sinking fund the company will have retired \$468,000 of these bonds by January 1, 1915. Applicant has outstanding an issue of 10,000 shares of capital stock of the par value of \$100 per share, or a total par value of \$1,000,000.

Applicant's property consists of certain real estate, street railway franchises, railroad tracks and equipment, rolling stock, machinery, securities, etc. The applicant reports that it operates approximately 11 miles of street railway within the city of San Francisco, described as follows:

"A cable road consisting of a double track line running on California Street west from about 100 feet east of Drumm Street

to a point on California Street about 200 feet west of Presidio Avenue; and a double track line running from Grant Avenue and O'Farrell Street west on O'Farrell Street to Jones Street, thence north on Jones Street to Pine Street, thence west on Pine Street to Hyde Street and thence north on Hyde Street to Beach Street; and a double track line on Jones Street running thereon from McAllister Street north to O'Farrell Street and connecting with the tracks of applicant there located."

The applicant reports that it operates under the following franchises:

- (a) Ordinance No. 1292, approved June 14, 1876 and amended by Ordinance No. 1302 which extended the term of the franchise granted by Ordinance No. 1292 from 25 to 50 years from February 17, 1879.
- (b) Ordinance No. 1489 approved February 21, 1879 and amended by Ordinance No. 1538, extending term of franchise granted by Ordinance No. 1489 from 25 to 50 years from February 17, 1879.
- (c) Ordinance No. 2058 approved May 3, 1889 and granted for a term of forty years.
- (d) Ordinance No. 2175 passed over Mayor's objections by Board of Supervisors on March 3, 1890. This franchise expires in 1929.

It appears, therefore, that the franchises under which applicant operates mature in 1929. The bonds which the applicant proposes to issue will have matured two years earlier, the last series of these bonds falling due in 1927.

Applicant estimates the cost and present value of its property, exclusive of cash on hand and securities owned, at \$1,715,349.86. This Commission has made no appraisal of the applicant's properties, such appraisal not being deemed necessary for the purposes of the present application. It is very clear that there is a very wide margin between the value of its properties and the amount of bonds which it is herein proposed to issue.

In its annual report for the year ending June 30, 1914 California Street Cable Railroad Company reports assets and liabilities as follows:

Assets:

Cost of Road .....	\$1,383,441.33
Cost of Equipment .....	113,876.79
Funded Debt Owned .....	163,484.75
Lands Owned .....	212,314.38
Cash & Current Assets .....	53,547.94
Sinking and Other Special Funds .....	456,450.61
Capital Stock Uncollected Balance .....	400,000.00
Funded Debt in Treasury .....	100,000.00
Sinking Funds Advance .....	<u>18,000.00</u>
Total .....	\$2,901,115.80

Liabilities:

Common Capital Stock .....	\$1,000,000.00
Funded Debt .....	1,000,000.00
Current Liabilities .....	13,156.63
Interest on Funded Debt not due .....	22,500.00
Reserves .....	563,995.11
Surplus .....	<u>301,464.06</u>
Total .....	\$2,901,115.80

For the year ended June 30, 1914, the applicant presents the following statement of earnings and expenses:

Operating Revenue .....	\$461,605.32
Operating Expenses .....	<u>243,326.72</u>
Net Operating Revenue .....	\$ 218,278.60
Other Income .....	<u>4,600.00</u>
Gross Income Less Operating Expenses ..	\$ 222,878.60

Deductions:

Taxes .....	\$ 29,061.91
Interest .....	<u>45,000.00</u>
Total Deductions .....	\$ 74,061.91
Net Income .....	\$ 148,816.69

Disposition of Net Income:

Reserve for Construction ....	\$ 30,727.00
Reserve for Sinking Fund ....	36,000.00
Dividends 8.2 per cent .....	<u>82,000.00</u>
Total .....	\$ 148,727.00
Surplus for the Year .....	\$ 89.69
Surplus Beginning of Year .....	<u>\$ 301,374.37</u>
Surplus Close of Year .....	\$ 301,464.06

The applicant reports that it has at the present time in its sinking fund securities and cash amounting to \$467,850.61. Applicant further reports that it will have in its sinking fund on January 1, 1915, \$468,000 of its bonds and \$48,000 in cash, making a total of \$516,000. Applicant will apply this money toward the payment of the issue of \$900,000 of bonds which will mature on January 1, 1915, leaving \$384,000 of bonds to be otherwise paid. It is for the purpose of paying off these maturing bonds in the sum of \$384,000 that applicant now proposes to issue its first mortgage 6 per cent serial bonds in the sum of \$384,000. These bonds will either be sold at par or such discount as may be necessary will be made up by applicant from funds on hand.

The proposed issue of \$384,000 of bonds will be subject to call on payment of a 5 per cent premium within five years from the date of said bonds and upon payment of a 3 per cent premium at any time after five years from the date of the said bonds. A sinking fund will be provided to pay off the bonds, which will mature as follows:

\$24,000	on January 1, 1916
\$25,000	on January 1, 1917
\$26,000	on January 1, 1918
\$27,000	on January 1, 1919
\$29,000	on January 1, 1920
\$30,000	on January 1, 1921
\$32,000	on January 1, 1922
\$33,000	on January 1, 1923
\$36,000	on January 1, 1924
\$37,000	on January 1, 1925
\$39,000	on January 1, 1926
\$46,000	on January 1, 1927

Applicant has made no definite contract for the sale of its bonds, but its secretary expressed the belief that the securities could be sold at a price not less than 99 per cent of their face value.

The applicant proposes to issue its bonds under a mortgage and deed of trust to Union Trust Company of San Francisco, to be dated in November, 1914.

It is clear from the above recital of facts that this applicant possesses sufficient assets and sufficient earnings to warrant the authorization herein requested. I therefore recommend that the application be granted and submit the following form of order.

ORDER

California Street Cable Railroad Company having applied to this Commission for authority to issue \$384,000 of first mortgage 6 per cent serial bonds as described in the foregoing opinion for the purpose of refunding outstanding bonds,

And a hearing having been held and it appearing that the purposes for which the applicant herein proposes to issue said bonds are not in whole or in part chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that California Street Cable Railroad Company be given authority and it is hereby given authority to issue \$384,000 of first mortgage 6 per cent serial bonds under the terms of its proposed mortgage and deed of trust to Union Trust Company of San Francisco, a copy of which has been filed with this Commission in connection with the application herein and marked "Exhibit 5" to which reference is hereby made.

The authority herein given is given upon the following conditions and not otherwise:

(1) The bonds herein authorized to be issued shall be used for the purpose of refunding \$384,000 of applicant's bonds, maturing January 1, 1915.

(2) The bonds herein authorized to be issued shall be sold at a price which shall net the applicant not less than 99 per cent of face value plus accrued interest or may be exchanged bond for bond for \$384,000 of applicant's bonds maturing on January 1, 1915.

(3) California Street Cable Railroad Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale, <sup>or exchange</sup> of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports <sup>or exchanges</sup> to the Commission stating the sale or sales, <sup>or exchange</sup> of said bonds during the preceding month, the terms and conditions of the sale, <sup>or exchange</sup>, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(4) The authority herein granted is conditioned upon the payment of the fee prescribed under the Public Utilities Act.

(5) The authority herein granted shall apply to such bonds as shall have been issued on or before November 1, 1915.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 6th day of November, 1914.

Railroad Commission State of California

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BY *[Handwritten signature]*  
Assistant Secretary

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Commissioners.