By a resolution approved October 6th. 1857. the City Commissioners was directed to stop the work on the new jail, and to appoint an arbitrator to act in conjunction with one to be appointed by H. R. & J. Reynolds to determine what compensation should be paid to the contractors. In accordance with these instructions. Mr. R. S. Dushane, on the part of the city, and Mr. J. D. Emory on the part of the Messrs. Reynolds, proceeded to assess the value of the work done and the materials furnished, and not being able to agree, an umpire was called in. and finally reported the whole cost of the present building, including materials upon the ground at $102.415 38. of which amount is still due to H. R. & J. Reynolds, $52.657.

The official proceedings connected with the arbitration will be communicated to your honorable body. The original contract under which this building was commenced, contemplated an expenditure of $102.000. and it will appear by the agreement entered into by my predecessor that provision was made in accordance therewith to meet the demand upon the city treasury.

It is much to be regretted that so unauthorized a direction should have been given to the original action of your body, and it remains for you now to determine what is best to be done to relieve the city from the embarrassment of providing for so heavy an outlay.

Under the authority conferred by the resolution of your last session, to ascertain "what alteration of the present plan of construction of the new jail can be adopted to reduce the cost thereof," I appointed the architects of the original plan, Messrs. Thomas & J. T. Dixon to co-operate with the City Commissioner in making such changes and curtailments as the present state of the building would seem to justify. The expenditure already incurred was so large as to make it advisable that what had been done should not be lost to the city. The plans and estimates which have been prepared by these architects, providing, it is believed a better jail both in architectural outline and practical suitableness, will be submitted at an early day, and will be attended with a saving to the city of more than $100.000.

The building has been securely protected against injury from exposure, and may be re-commenced

whenever the financial arrangements can be made to proceed with the work.

The ground owned by the city in and about the jail, is greatly more than is needed for any purpose to which it can be usefully applied. I am advised that the State will want a considerable enlargement in the space required for the Penitentiary adjoining this property; and it may be worthy of consideration whether an agreement may not be entered into by which a portion of the jail lot may be disposed of, and the proceeds appropriated towards defraying the cost of the building now in progress. I would respectfully recommend that the subject be referred to a committee to ascertain what arrangments can be made in reference to a sale of a portion of this property to the State, or to others parties.

The estimated cost of the plan submitted by the Messrs. Dixon, has been the result of practical enquiry into every item of expenditure. In proceeding with the work, upon the improved plan, which, in my opinion, cannot now be avoided, I would recommend that the work be proceeded with under the supervision of the Messrs Dixon, as soon as a contract is made, and the necessary financial arrangments matured.

I would recommend also, that the award to the Messrs. Reynolds be confirmed.

The report of the Baltimore and Ohio Railroad Company shows the gross earnings of the main stem of that road to have been $4.616.998 95. and an increase of $231.047 08, over the preceding year. On the Washington Branch the gross earnings are stated at $454.439 84.

The clear net revenue for the fiscal year on the Main Stem, the report states at $1.207.717 64. or nearly twelve per cent. on the capital stock, and on the Washington Branch at $230.379.19. The reason for passing the dividend in October is thus explained, "While the large net earnings of the past six months would not only seem to justify but to require a dividend for that period; yet, on a calm and dispassionate survey of the present general financial and commercial embarrassments and uncertainties,