

Staff Report



To	City Council as Shareholder of Guelph Municipal Holding Inc.
Date	Monday, June 27, 2022
Subject	2021 GMHI Annual Report to Shareholders

Recommendation

1. That City Council in its capacity as the sole shareholder of Guelph Municipal Holdings Inc. receives and approves the Guelph Municipal Holding Inc. 2021 Annual Report.
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Executive Summary

Purpose of Report

The purpose of this report is to provide Guelph City Council, in its capacity as Shareholder of Guelph Municipal Holdings Inc. (GMHI), with an understanding of the operations of GMHI for the year ended December 31, 2021. As previously reported, GMHI currently has two distinctly different streams of operation. The first operating stream relates to the secured shareholdings of GMHI in Alectra Utilities Inc. (Alectra). The second is the continued operation of its District Energy assets in the provision of service to its customers.

Key Findings

Overall, GMHI's balance sheet was strengthened in 2021 with assets increasing by \$1.1 million and liabilities decreasing by \$137 thousand, for a net increase of over \$1.2 million in shareholder's equity after dividends were paid to the City, totaling \$3.3 million. GMHI's total comprehensive income totaled \$4.8 million in 2021 compared with \$3 million in 2020.

Financial Implications

The City's investment in GMHI increased in value by \$1.2 million, and GMHI paid \$3.3 million in regular dividends to the City of Guelph in 2021.

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GMHI's business in 2021 can be summarized as follows:

- Investment in Alectra (quarterly dividend payments received).
- District energy operations, consisting of thermal energy sales to its customers on the Downtown Node and related expenses.
- General and administrative costs (audit, tax filing, legal, and management support from the City of Guelph).

GMHI is reporting total comprehensive income of \$4.8 million after deferred tax expense for 2021, comprised of the following:

- \$5.2 million in revenue from GMHI's 4.63 per cent share of Alectra's 2021 earnings.
- Net loss of \$108 thousand from district energy operations (budgeted loss of \$137 thousand).
- \$124 thousand in management and general administration expenses (on budget), and \$13 thousand in other income (interest, budgeted at \$5,000 for the year).
- A recovery of \$5 thousand was recorded from recoverable HST associated with district energy wind down costs that were expensed in 2020.
- \$166 thousand in deferred income tax expenses were recorded due to the increase in GMHI's investment in Alectra.

GMHI budgets for revenue from Alectra differently than it reports for the purposes of the audited financial statements. The budget forecasts dividends received from Alectra, while the revenue from Alectra on the audited financial statements is based on GMHI's share of Alectra's net income. GMHI budgeted for dividends totaling \$3.5 million from Alectra in 2021 and received \$2 thousand more than budgeted.

In a recent presentation from the Alectra Board of Directors to its Shareholders, it was reported that Alectra paid \$11.4 million to GMHI in dividends which is \$2.4 million greater than the standalone course of action that GMHI's interests in Guelph Hydro Electric Systems Inc. would have produced (this includes dividends received in March 2022). In addition, the net synergies achieved to date for the merger of GMHI's interests in Guelph Hydro Electric Systems Inc. with Alectra have produced \$8.3 million betterment over the business case: \$1.6 million in operating net synergies, and \$6.7 million in capital net synergies.

Although GMHI's loss from operation of the district energy operations were \$29 thousand better than budgeted, the circumstances remain that GMHI's continued interests in this operating stream will result in successive losses until the district energy model changes or GMHI's interests in this operating stream are concluded.

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Consultations

Shanna O'Dwyer, CPA, CA, Manager of Financial Reporting and Accounting

Report Author

Trevor Lee, Chief Financial Officer, GMHI, and Deputy Chief Administrative Officer, City of Guelph, Corporate Services

This report was approved and recommended by:

Scott Stewart, C.E.T.
Chief Executive Officer, GMHI, and
Chief Administrative Officer,
City of Guelph
519 822 1260 extension 2221
scott.stewart@guelph.ca