

Staff Report



To	City Council as Shareholder of Guelph Junction Railway Limited
Date	Tuesday, June 24, 2025
Subject	Guelph Junction Railway Limited 2024 Annual Report and Financial Reporting to Shareholders

Recommendation

1. That City Council in its capacity as the Shareholder of the Guelph Junction Railway Limited receive the Guelph Junction Railway Limited 2024 Annual Report and Audited Financial Statements for information.
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Executive Summary

Purpose of Report

To provide City Council as shareholder of the Guelph Junction Railway Limited (GJR) with the 2024 Annual Report to Shareholders and the Audited Financial Statements for the year ended December 31, 2024.

Key Findings

During 2024, GJR surpassed 2023's record in revenues and railcar counts and is poised for continued growth. GJR's revenue was \$8.2 million for the year, an increase of \$643 thousand over 2023. GJR's railcar count was 5,931, an increase of 194 over 2023.

GJR's capital maintenance program identifies infrastructure priorities each year through ongoing Transport Canada-regulated testing. In 2024, GJR replaced 2,377 rail ties, disposed over 3,200 rail ties, completed ballasting and surfacing spanning over 4 miles of track, constructed 2 sidings accommodating a total of 32 railcars, upgraded the North Industrial section from 100-pound to 115-pound rail, and completed repairs on the Eramosa bridge by replacing 81 bridge timbers and upgrading track from 100-pound to 115-pound. This is reflected in GJR's financial results, with investment of \$2.2 million in capital assets in 2024, increasing the net book value of property, plant and equipment by \$1.6 million over 2023. Net investment in capital after partner contributions is 20 per cent of 2024 revenue, which exceeds GJR's target capital investment of 16 per cent on average.

GJR takes an active role with the City in review of future trail development alongside the railway right of way. The trail initiatives were undertaken with consideration for future GJR expansion, potential opportunities, and possible development of Light Rail Transport (LRT). In 2024, the Woodlawn Road to Woolwich Street trail design and land transfers was completed with construction to begin in 2025.

The operating results for the year ended December 31, 2024, exceeded both the 2023 results and the expectations laid out in the 2024 budget. GJR earned net

comprehensive income of \$2.6 million for the year, an increase of \$452 thousand (21 per cent) over 2023, and a positive variance of \$1.1 million from the budget. The freight ratio for 2024 is 2.32, above both the budgeted ratio of 2.04 and the 2023 ratio of 2.28. GJR ended the year with a healthy working capital balance of \$3.3 million, even with the full amount of the long-term loan from the City included as a current liability, as it is up for renewal in 2025.

Financial Implications

The governance and oversight of the City's wholly-owned subsidiaries create financial value to the City through equity gains, dividend returns, and strategic synergies.

The City's investment in GJR increased by \$2.4 million and GJR will pay a dividend of \$250 thousand to the City in 2025 based on 2024 financial results, approximately \$100 thousand more than budgeted.

Report

GJR is reporting net comprehensive income totaling \$2.6 million for 2024, a \$452 thousand (21 per cent) increase over 2023 net comprehensive income of \$2.1 million.

Statement of Comprehensive Income

GJR's revenue increased by \$643 thousand in 2024 due primarily to increased freight movement revenue. Freight movement revenue includes both freight revenue and tariffs; the largest portion of this increase was \$612 thousand in freight revenue while tariffs decreased \$225 thousand year over year. Freight car volumes increased to 5,931 cars, an increase of 194 cars over 2023.

Freight movement expenses increased by \$121 thousand over 2023, mainly due to additional freight movement volume. These costs are factored into the amount being invoiced for tariff revenue. The freight ratio, calculated by taking the sum of freight revenue and tariff revenue and dividing it by the total freight movement expense, approximates the gross margin of the freight operations. The freight ratio for 2024 is 2.32. This is above both the budgeted ratio of 2.04 and the 2023 ratio of 2.28.

All other revenues and expenses remained relatively consistent with the exception of office and administration expenses which increased 6% to budget and 38% over the prior year. These increases were attributable to an additional GJR staff position added in late 2023, an increase in chargebacks from the City of Guelph to reflect the level of support provided by the City Finance department for GJR, and increased insurance costs. There were also increases in repairs and maintenance costs due to increased weed and snow removal.

GJR experienced a derailment on October 11, 2023 and incurred costs of \$320 thousand during 2023 as part of the clean-up operations. In 2024 no additional costs were incurred, however, for accounting purposes there is potential for a contingent liability relating to the car repairs or replacement.

Overall, GJR budgeted for revenue totaling \$7.0 million and exceeded that estimate by \$1.1 million. Expenses totaling \$5.5 million were budgeted for 2024; actual

expense were \$135 thousand above budget primarily due to higher repairs and maintenance costs and higher administration and office expenses.

Balance Sheet

As of December 31, 2024, GJR had a healthy working capital balance of \$3.3 million (2023, \$3.4 million). The 2024 working capital balance is \$1.2 million lower than it would otherwise be as a result of the long-term loan from the City being classified as a current liability in 2024 as it needs to be renewed in 2025. It is expected that this agreement will be renewed in 2025.

Accounts receivable at the end of 2024 totaled \$2.4 million (2023, \$2.0 million). The accounts receivable balance as a percentage of revenue has increased, as reflected in the ratio for days sales outstanding increasing from 95 days in 2023 to 107 days in 2024; however, management does not have any concerns over the collectability of accounts receivable.

The net book value of property, plant and equipment increased by \$1.6 million during 2024, which included capital asset additions totaling \$2.2 million offset by depreciation expense totaling \$560 thousand. GJR's 2024 approved capital budget totaled \$1.7 million and additional capital contributions offset the additional capital costs incurred in 2024.

GJR's capital expenditures are often cost-shared with or funded by the City of Guelph and other local municipalities (capital contributions). Capital contributions totaling \$130 thousand were budgeted for 2024 and actual contributions collected totaled \$512 thousand. The net investment in capital after contributions is 20 per cent of 2024 revenue, which exceeds GJR's target capital investment of 16 per cent on average.

Shareholder's equity increased by \$2.4 million after \$210 thousand in dividends paid to the City of Guelph by GJR in 2024.

Statement of Cash Flows

As of December 31, 2024, GJR had a cash balance of \$1.7 million, and cash equivalents (due from the City of Guelph of \$359 thousand) for a total of \$2.0 million in cash and cash equivalents. Of this \$2.0 million, \$858 thousand is restricted to fund the future Speed River bridge project. The remaining \$1.2 million is unrestricted and available to pay dividends for 2025 to the City and fund current operations and other capital priorities.

Dividends

GJR's Dividends Policy allows for regular dividend payments of 0 to 10 per cent of net income, subject to the condition that the dividend will not cause non-compliance with laws, breach of contract, impairment in operations or asset maintenance, or hinder the company's ability to make necessary capital investments. After giving due consideration to these factors, and based on GJR's 2024 net income, the Board approved a 2025 dividend totaling \$250 thousand be paid by GJR to the City.

The Guelph Junction Railway Board is proud to produce the 2024 Annual Report to Shareholders to City Council as sole shareholder, included as Attachment-1 to this report.

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Consultations

Finance

Legal Services

Deputy Chief Administrative Officer, Corporate Services

Attachments

Attachment-1 Guelph Junction Railway Limited – 2024 Annual Report

Attachment-2 Guelph Junction Railway Limited – 2024 Annual Report Presentation

Attachment-3 Guelph Junction Railway Limited – 2024 Audited Financial Statements

Departmental Approval

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This report was recommended by:

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