

# Staff Report



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To	<b>City Council as Shareholder of Guelph Municipal Holdings Inc.</b>
Date	Tuesday, June 24, 2025
Subject	<b>Guelph Municipal Holdings Inc. - 2024 Annual Report and Financial Reporting to Shareholders</b>

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## Recommendation

1. That Council of The Corporation of the City of Guelph, in its capacity as the sole shareholder of Guelph Municipal Holdings Inc., receives the Guelph Municipal Holdings Inc. 2024 Annual Report and Audited Financial Statements to Shareholders for information.
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## Executive Summary

### Purpose of Report

The Corporation of the City of Guelph (City) is the sole shareholder of Guelph Municipal Holdings Inc. (GMHI). The purpose of this report is to provide City Council with the 2024 Annual Report and Audited Financial Statements of GMHI.

### Key Findings

GMHI is a shareholder of Alectra Inc. (Alectra). GMHI's investment in Alectra increased by \$4.1 million as GMHI received \$3.7 million in dividends from Alectra compared with GMHI's share of Alectra's 2024 earnings, which was \$7.8 million.

In 2024, GMHI reported total comprehensive income of \$7.5 million for the year compared with \$6.3 million in 2023. The main driver of the increase in revenue is an increase in net comprehensive income by Alectra, which resulted in a \$1.1 million increase in GMHI's equity share of earnings.

The increase in equity earnings of Alectra was offset by the reversal in temporary differences in deferred taxes, resulting in a \$399 thousand decrease in income (2023, \$309 thousand decrease).

During 2024, GMHI deregistered for HST purposes as the corporation is no longer engaged in commercial activities through the district energy operations.

GMHI paid dividends totaling \$3.8 million to the City of Guelph in 2024, as budgeted.

Key findings are included in Attachment-1 Guelph Municipal Holdings Inc. – 2024 Annual Report Presentation.

## **Financial Implications**

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

The City's investment in GMHI increased in value by \$3.1 million in 2024, as represented by GMHI's shareholder equity. GMHI paid \$3.8 million in dividends to the City in 2024 compared with earning total comprehensive income of \$7.5 million. The City recognized a gain of \$3.1 million related to its investment in GMHI in 2024, which, when added to the total dividend revenue of \$3.8 million results in net income from GMHI in the City's 2024 financial statements of \$6.9 million.

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## **Report**

The Corporation of the City of Guelph (City) is the sole shareholder of Guelph Municipal Holdings Inc. (GMHI). GMHI is a minority shareholder of Alectra Utilities Inc. (Alectra). The purpose of this report is to provide City Council, on behalf of the City as shareholder, with the 2024 Annual Report and Audited Financial Statements of GMHI.

### **Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flows**

GMHI ended the year with \$1.0 million in cash, \$283 thousand less than the \$1.3 million at the 2023 year-end. GMHI paid \$14 thousand more in dividends to the City than it received in dividends received from Alectra. Changes in non-cash operating line items and collections on accounts receivable offset this difference. During 2024, GMHI deregistered for HST purposes as the corporation is no longer engaged in commercial activities through the District Energy operations.

GMHI is reporting a receivable from the City of Guelph of \$2.0 million at the end of 2024, consistent with 2023.

GMHI's investment in Alectra increased by \$4.1 million in 2024 as GMHI's share of Alectra's 2024 net income exceeded the dividends paid.

The deferred tax liability increased by \$1.0 million in 2024 as it is related to the value of the investment in Alectra which also increased in 2024.

The City's total shareholder's equity in GMHI increased by \$3.1 million in 2024 as GMHI paid \$3.8 million in dividends to the City of Guelph in 2024 compared with total comprehensive income of \$7.5 million. The equity increase (income less dividends) was further reduced by a \$627 thousand change in the refundable portion of the deferred tax liability. There was no deviation from the approved dividend declaration and payment schedule for 2024.

### **Statement of Income and Other Comprehensive Income**

In 2024 GMHI reported total comprehensive income of \$7.5 million for the year compared with \$6.3 million in 2023. This favorable change in income is a result of the increased net comprehensive income by Alectra in 2024 which translated to a \$1.1 million increase in GMHI equity share of earnings. The increase in earnings of Alectra was partially offset by a higher deferred tax expense arising from differences in the carrying amount of the value of the investment in Alectra between accounting and tax.

GMHI operations had a small expense related to commitments included in the sale of the district energy operations to Alectra, with approximately \$65 thousand remaining to be incurred in 2025. Management and administration expenses are chargebacks from the City for services provided to GMHI, audit and insurance fees, and they were approximately \$6 thousand higher than budget in 2024.

### **Dividends Received and Paid and Alectra Equity Earnings**

GMHI received \$3.7 million in dividends from Alectra in 2024. This is a dividend income deficit of \$32 thousand in comparison with the 2024 budget expectations. This dividend income is not reported as revenue for the purposes of the audited financial statements and instead reduces GMHI's investment in Alectra under International Financial Reporting Standards.

For financial statement purposes, GMHI recognized \$7.8 million in revenue from Alectra, which is 4.63 per cent of Alectra's net income for 2024, compared with \$6.7 million in 2024.

Alectra reported total comprehensive income totaling \$169 million in 2024 compared with \$145 million in 2023. The major contributors to this increase were \$413 million additional income from operating activities and offset by an increase in associated operating expenses of \$363 million, increased financing costs of \$29 million and increased taxes of \$8 million.

### **Investment in Alectra and Risks**

Alectra Inc.'s 2024 Q4 Shareholder Report outlined financial highlights and risks related to GMHI's investment in Alectra. The company has a three-year capital expenditure plan of \$922 million over the 2024-2026 period, driven by the requirement to connect new residential and general service customers and expand existing customer requirements.

#### 2024 Highlights

- Higher distribution revenue (\$81 million) due to higher revenue through Ontario Energy Board (OEB) approved rate increases (3.3% rate adjustment approved for Jan 1, 2025).
- Higher electricity sales revenue (\$274 million) primarily due to higher electricity prices.
- Higher cost of power (\$301 million) primarily due to higher wholesale electricity prices.
- Higher amortization costs and operating expenses (combined \$62 million).

#### Risks

- Credit risk: although the value of arrears has increased, the expected credit losses have remained comparable to 2023.
- During 2024 two new debentures were issued that accumulate to \$500 million. These debentures were issued in part to refinance the \$166.1 million of promissory notes and \$150 million in debentures that matured during 2024. As debentures mature, the company will be required to issue new debentures at potentially higher interest rates.

## **Financial Implications**

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

The City's investment in GMHI increased by \$3.1 million in 2024 as represented by GMHI's shareholder's equity. GMHI paid \$3.8 million in dividends to the City in 2024 compared with earning a total comprehensive income of \$7.5 million. The City will recognize a gain of \$3.1 million to its investment in GMHI in 2024, which will add to the dividend revenue of \$3.8 million for net income from GMHI in the City's 2024 financial statements totaling \$6.9 million.

## **Consultations**

Shanna O'Dwyer, General Manager, Finance / City Treasurer and Chief Financial Officer, City of Guelph

## **Attachments**

Attachment-1 Guelph Municipal Holdings Inc. – 2024 Annual Report Presentation

Attachment-2 Guelph Municipal Holdings Inc. – 2024 Audited Financial Statements

## **Departmental Approval**

Justin Wei, Deputy Treasurer, Manager Financial Strategy and Reporting

## **Report Author**

KJ Shea, Supervisor Corporate Reporting, City of Guelph

Jennifer Charles, Corporate Secretary of Guelph Municipal Holdings Inc. and General Manager, Legal and Court Services / City Solicitor, City of Guelph

## **This report was approved by:**

Jayne Holmes

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**This report was recommended by:**

Tara Baker

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