

City of Mississauga
Corporate Report



<p>Date: May 4, 2021</p> <p>To: Chair and Members of General Committee</p>	<p>Originator's files:</p>
<p>From: Shawn Slack, MBA, Acting Commissioner of Corporate Services and Chief Financial Officer</p>	<p>Meeting date: May 26, 2021</p>

Subject

Enersource Corporation – 2020 Audited Financial Statements

Recommendation

That the report dated May 4, 2021 from the Acting Commissioner of Corporate Services and Chief Financial Officer with respect to the 2020 Audited Financial Statements for Enersource Corporation, be received for information.

Executive Summary

- Enersource Corporation's (Enersource) ownership in Alectra Inc. ("Alectra") is 29.57%.
- The Enersource Board of Directors, at their Board meeting on April 27, 2021, reviewed and approved the 2020 audited financial statements of Enersource (Appendix 1).
- Dividends paid to Shareholders in 2020 were \$19.7 million (2019 \$17.4 million):
 - \$17.7 million to the City of Mississauga (90% share)
 - \$2.0 million to BPC Energy (10% share)
- KPMG is the auditor for Enersource up to December 31, 2024 which is aligned with the City's audit term with KPMG.

Background

The shareholder ownership structure of Alectra is as follows: Enersource Corporation - 29.57%, Vaughan Holdings Inc. - 20.5%, Hamilton Utilities Corporation - 17.3%, Barrie Hydro Holdings - 8.4%, Markham Enterprises Corporation - 15%, St. Catharines Hydro Inc. - 4.6% and Guelph Hydro Electric System Inc. (GHESI) - 4.6%.

The shareholders of Enersource ("Shareholders") are the Corporation of the City of Mississauga with a 90% share and BPC Energy Corporation (Borealis) with a 10% share.

Enersource is a company with its principal business activities being to hold the Shareholders equity interest in Alectra, receive dividends from Alectra, service its debt and distribute dividends to its shareholders annually.

BDO Canada LLP has been retained by Enersource for a five year contract, to June 2022, to provide accounting and financial reporting services.

KPMG LLP has been retained as the Enersource external auditor until December 31, 2024 which is aligned with the City's contract with KPMG LLP. KPMG LLP completed the 2020 audit of Enersource Corporation. On April 27, 2021, the Audited Financial Statements and Audit Report were presented to the Enersource Board and were received and approved.

On May 3, 2021, the Audit Committee of the City of Mississauga, reviewed and received a report entitled, '2020 Audited Financial Statements' which presented the consolidated financial statements of the City of Mississauga, plus other entities (Library board, BIA's, Trust, Tourism Mississauga and Enersource).

For transparency purposes, it should be noted that Shawn Slack, as signatory of this corporate report, is also the City appointed Acting CEO of Enersource.

Comments

The attached Consolidated Financial Statements of Enersource Corporation, is a report card on the financial position, health and strength of the Enersource Corporation. The accompanying annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). These financial statements have been prepared on a historical cost basis. The financial statements provide information on the cost of all activities, reflecting the full nature and extent of the Enersources financial affairs.

In the opinion of KPMG LLP, the consolidated financial statements present fairly, in all material respects, the consolidated financial statements of Enersource Corporation as of December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Financial Impact

The following represents some highlights (as of Dec. 31, 2020) found in the financial statements, as attached in Appendix 1:

Total Assets: \$ 605.1M (2019 \$607.4M)

- Total Liabilities and Shareholder Equity: \$ 605.1M (2019 \$607.4M)
- Total Revenues: \$22.4M (2019 \$19.7M)
- Total Expenses: \$1.9M (2019 \$1.8M)
- Total Comprehensive Income for the year: \$19.4M (2019 \$13.4M)

Key Financial Statement Items:

- Cash balance at the end of 2020, after all dividend payments were made, was \$7.3M (2019 \$6.8M).
- Enersource holds \$50.6M in debt (2019 \$53.1M), through CIBC, as a result of the merger to form Alectra in 2017.
 - Enersource pays off approx. \$2.5M each year
- Shareholders' equity decreased from \$554.2M in 2019 to \$553.9 in 2020, a decrease of \$0.3M
- Share of net income from investment in Alectra was \$22.3M (2019 \$18.0M)
- Majority of the expenses represent debt interest expenses and other administrative expenses to run Enersource Corporation.
- Dividends received from Alectra in 2020 were \$23.6M (2019 \$23.9M), approximately \$0.3M lower than 2019 primarily due to financial impacts from the pandemic.
 - Q4 2020 dividend was paid in March 2021 (\$10.5 million).
- Dividends paid to Shareholders in 2020 were \$19.7 million (2019 \$17.4 million):
 - \$17.7 million to the City of Mississauga (90% share)
 - \$2.0 million to BPC Energy (10% share)
- The City continues to provide a loan guarantee on Enersource's \$50.6M debt balance.

Conclusion

The Enersource Corporation 2020 Audited Financial Statements identify no concerns. The financial position of Enersource is considered healthy through sound management and business practices.

Attachments

Appendix 1: 2020 Enersource Audited Financial Statements



Shawn Slack, MBA, Acting Commissioner of Corporate Services and Chief Financial Officer

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