

ANNUAL FINANCIAL REPORT

CENTRAL VALLEY PROJECT IMPROVEMENT ACT Public Law 102-575, Title XXXIV

Revenues and Expenditures for the Periods:

October 1, 2009 - September 30, 2010 (Actual)

October 1, 2011 - September 30, 2012 (Projected)

September 2011

**Bureau of Reclamation
United States Department of the Interior**

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CENTRAL VALLEY PROJECT IMPROVEMENT ACT ANNUAL FINANCIAL REPORT

EXECUTIVE SUMMARY

Subsection 3407(f) of the Central Valley Project Improvement Act (CVPIA), Title XXXIV of Public Law 102-575, requires an annual financial report to the Senate Committee on Energy and Natural Resources, the Senate Committee on Appropriations, the House Committee on Natural Resources, and the House Committee on Appropriations. This is the eighteenth annual financial report which describes Central Valley Project Restoration Fund (CVPRF or Restoration Fund) revenues (receipts) and expenditures (uses) during Fiscal Year (FY) 2010 as well as projected CVPRF revenues and expenditures during FY 2012. For purposes of this report, revenues are actual receipts (payments) processed.

In FY 2010, the Bureau of Reclamation (Reclamation) collected approximately \$48.0 million into the Restoration Fund and spent \$47.2 million on habitat restoration, improvement, and acquisition, and other fish and wildlife restoration activities. For FY 2012, the projection for revenues is \$53.1 million and \$53.1 million for expenditures. Schedule 1 provides an overall view of CVPRF revenues and expenditures and Schedules 2 and 3 detail the CVPRF revenues for Friant Division surcharges and Restoration charges, respectively. Finally, Schedule 4 details CVPRF expenditures.

This report does not include water and related resources appropriations, State of California cost share funding, CALFED Bay-Delta funding and American Recovery and Reinvestment Act appropriations. These additional four funding sources with the CVPRF make up the annual CVPIA program. Each funding source is considered in allocating funds to individual CVPIA activities and coordinated with the CALFED Bay-Delta Program to best ensure compatibility with and to complement CALFED initiatives. Overlapping CVPIA and CALFED areas are integrated as a way of using the strengths of both programs to maximize performance and meet program objectives. It is anticipated that these processes will result in a broad-based ecosystem management strategy wherein all parties join together in a partnership in their efforts toward mitigation and restoration of the environment.

Challenges facing Reclamation include the San Joaquin River Restoration Settlement Act, Title X of Public Law 111-11. This legislation diverts approximately \$5.6 million in projected FY 2011 revenues to the San Joaquin River Restoration Fund (SJRRF). Another challenge facing the Central Valley Project Restoration Fund includes consecutive drought-years, which shifts the burden of revenues (payments) from water contractors to power contractors.

Background

In 1992, Congress passed the Central Valley Project Improvement Act, which amended the previous authorization of California's Central Valley Project (CVP), to include fish and wildlife protection, restoration and enhancement as project purposes in addition to agricultural water uses, municipal and industrial water uses, and power generation. Congress directed the Secretary

of the Interior, through Reclamation and the U.S. Fish and Wildlife Service, to operate the CVP consistent with the purposes of the CVPIA, to meet the Federal trust responsibilities to protect the fishery resources of affected federally recognized Indian tribes, and to achieve a reasonable balance among competing demands for use of CVP water. To help achieve CVPIA measures, the Act established the Central Valley Project Restoration Fund to collect donations and revenues from any source provided by the act and paid by those who benefit from the CVP's water and power supplies.

Restoration Fund Revenues

Public Law 102-575, Title XXXIV, Section 3407 established the Central Valley Project Restoration Fund. Table 1 below shows actual FY 2010 receipts of \$48.0 million by revenue type and projected FY 2012 receipts by revenue type totaling \$53.1 million. Restoration Fund receipts are calculated by applying the applicable charge to CVP project water sold and delivered.

Table 1: Central Valley Project Restoration Fund Receipts

Description of Revenue	CVPIA Section	FY 2010 Actual Receipts	FY 2012 Projected Receipts
Pre-Renewal Charges	§3404(c)(3)	\$0	\$0
Tiered Water Charges	§3405(d)	\$327,067	\$300,000
Water Transfer Charges	§3405(a)(1)(B)	\$0	\$0
Friant Division Surcharges	§3406(c)(1)	\$10,804,258	\$0
M&I Surcharges	§3407(d)(2)(A)	\$683	\$1,000
Restoration Charges	§3407(c) & (d)	\$36,836,789	\$52,767,000
Total Receipts		\$47,968,797	\$53,068,000

As shown in Table 1, nearly all collections in FY 2010 were derived from two CVPIA subsections – namely, Friant Division Surcharges and Restoration Charges. Receipts from pre-renewal charges, tiered water charges, water transfer charges, and M&I surcharges continue to be nominal. The projected CVPRF receipts no longer include the Friant Division Surcharge. This surcharge is now deposited into the San Joaquin River Restoration Fund (SJRRF).

Table 2: Restoration Charges by Beneficiary

Payment by Beneficiary	FY 2010 Actual Receipts	FY 2012 Projected Receipts
Restoration Charges - Irrigation	\$20,431,694	\$23,473,745
Restoration Charges - M&I	\$5,723,500	\$6,737,846
Restoration Charges - Power	\$10,681,594	\$22,555,408
Grand Total	\$36,836,789	\$52,767,000

Table 2 above depicts receipts for restoration charges by project beneficiaries. The restoration charges are not to exceed \$30.0 million (1992 dollars) on a three-year rolling average which

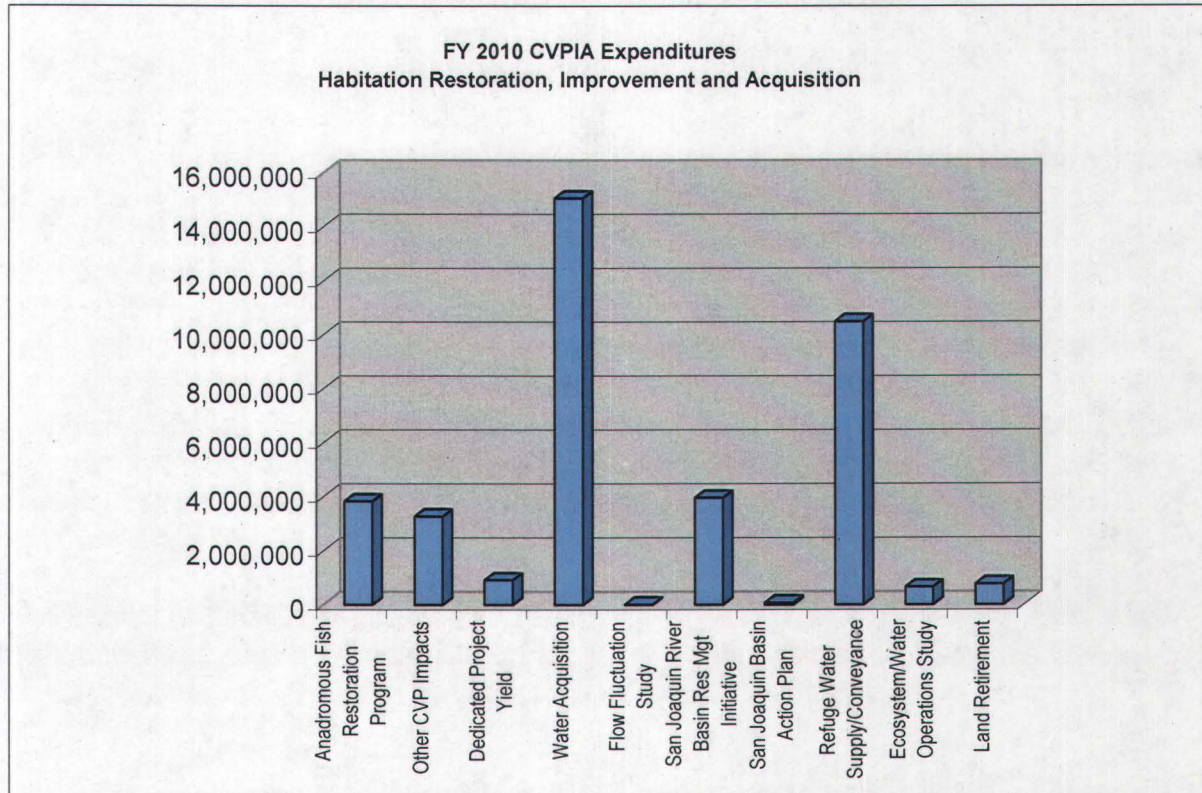
generates peaks and valleys in the receipts. Fiscal Year 2010 was a low year and FY 2012 is a high year.

Restoration Fund Expenditures

CVPIA Section 3407(a) states that not less than 67 percent of all funds made available to the Central Valley Project Restoration Fund under this title are authorized to be appropriated to carry out the habitat restoration, improvement and acquisition provisions of this title. In FY 2010, Reclamation spent \$39.0 million (or 83%) on habitat related activities; Reclamation projects habitat restoration spending to rise slightly to \$53.1 million for FY 2012. Additionally, CVPIA section 3407(a) states that not more than 33 percent of all funds made available to the Restoration Fund under this title are authorized to be appropriated for specific fish and wildlife restoration activities. In FY 2010, Reclamation spent \$8.2 million (or 17%) on fish and wildlife restoration activities, and projections for FY 2012 show spending to be \$9.4 million. These expenditures are detailed on Schedule 4 and do not include the four other funding sources mentioned above.

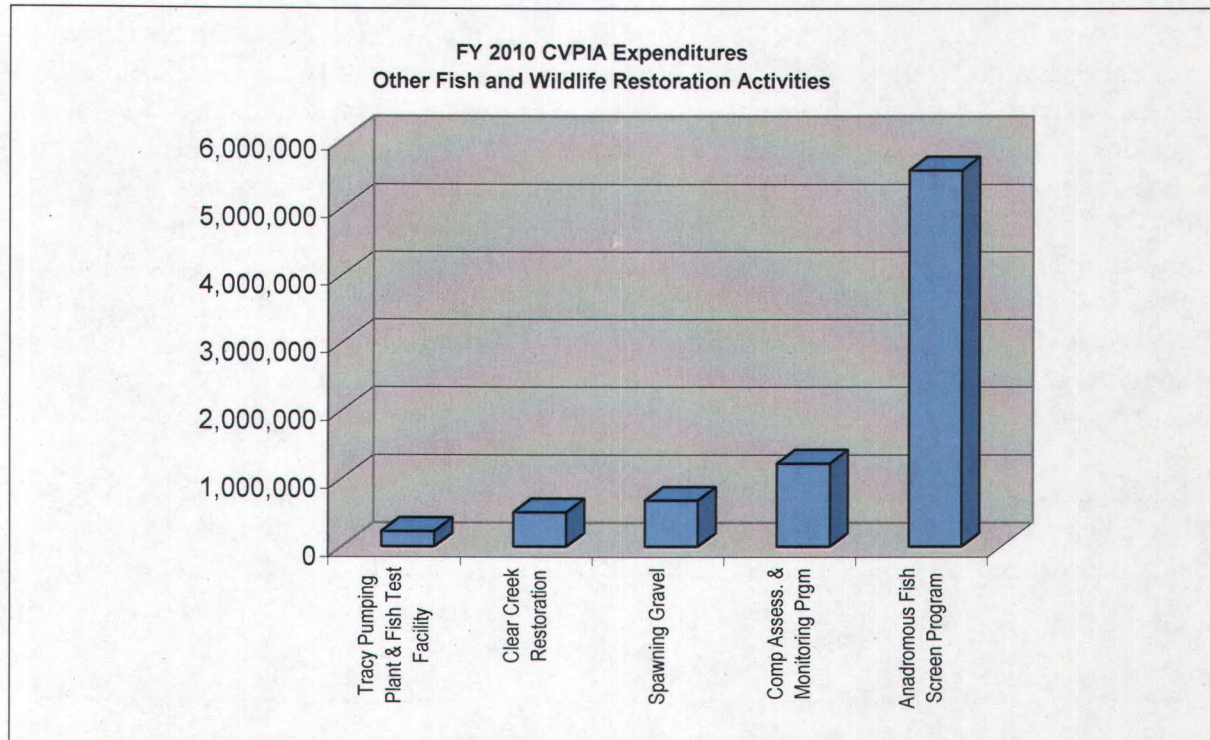
Chart 1 and 2 graphically depict the expenditures during FY 2010 for Habitation Restoration, Improvement and Acquisition, and Other Fish and Wildlife Restoration Activities. Reclamation spent \$39.0 million on habitat related work. See Schedule 4.

Chart 1



The remaining \$8.2 million of FY 2010 expenditures were used for fish and wildlife restoration activities. For specific uses, you may refer to Chart 2 or Schedule 4.

Chart 2



Glossary

Anadromous Fish: Those stocks of salmon (including steelhead), striped bass, sturgeon, and American shad that ascend the Sacramento and San Joaquin rivers and their tributaries and the Sacramento-San Joaquin Delta to reproduce after maturing in San Francisco Bay or the Pacific Ocean.

Central Valley Project: Federal reclamation projects located within or diverting water from or to the watershed of the Sacramento and San Joaquin rivers and their tributaries as authorized by the Act of August 26, 1937, and all Acts amendatory or supplemental thereto.

Central Valley Project Improvement Act: Public Law 102-575, Title XXXIV. This landmark piece of legislation mandates changes in the purposes and management of Reclamation's CVP and specifically focused the Secretary of the Interior on protection, restoration and enhancement of fish, wildlife, and associated habitats within the CVP. The Secretary, in turn, assigned primary responsibility for implementing CVPIA's many provisions to Reclamation and the U.S. Fish and Wildlife Service.

Offsetting Collections: Any funds paid into the Restoration Fund by CVP water and power contractors and which are also used to pay for the projects and facilities set forth, in section 3406(b), shall act as an offset against any water and power contractor cost share obligations that are otherwise provided for in the title.

Outlays: Outlays are disbursement by the Federal Treasury in the form of checks or cash. Outlays flow in part from budget authority granted in prior years and in part from budget authority provided for in the year in which the disbursements occur.

Receipts: See offsetting collections above.

Restoration Fund: The fund established in the Treasury of the United States by Public Law 102-575, Title XXXIV, titled Central Valley Project Restoration Fund (CVPRF) (hereafter Restoration Fund).

Uses: See outlays above.

Schedule 1

**Central Valley Project Restoration Fund
Revenues and Expenditures
for Fiscal Year 2010 (Actual) and Fiscal Year 2012 (Projected)**

<u>REVENUES:</u>		<u>FY 2010 (Actual)</u>	<u>FY 2012 (Projected)</u>
<u>Non-Discretionary Revenues:</u>			
Pre-Renewal Charges (Subsection 3404(c)(3))		0	0
Tiered Water Charges (Subsection 3405(d))		327,067	300,000
Water Transfer Charges (Subsection 3405(a)(1)(B))		0	0
Friant Division Surcharges (Subsection 3406(c)(1))	3 See Schedule 2	10,804,258 1/	0 2/
M&I Surcharges (Subsection 3407(d)(2)(A))		683	1,000
Subtotal - Non-Discretionary Revenues		<u>11,132,008</u>	<u>301,000</u>
<u>Discretionary Revenues:</u>			
Restoration Charges (Subsection 3407(c) & (d))	See Schedule 3	36,836,789	52,767,000
<u>Contributions:</u>			
Non-Federal Contributions (Subsection 3407(a))		<u>0</u>	<u>0</u>
TOTAL REVENUES		<u><u>47,968,797</u></u>	<u><u>53,068,000</u></u>
 <u>EXPENDITURES:</u>			
Expenditures (Subsections 3406 & 3408)	See Schedule 4	47,211,787	53,068,000
Expenditures of Non-Federal Contributions		<u>0</u>	<u>0</u>
TOTAL EXPENDITURES		<u><u>47,211,787</u></u>	<u><u>53,068,000</u></u>
 NET INCREASE/DECREASE (Revenues less Expenditures)		<u><u>757,010</u></u>	<u><u>0</u></u>

1/ Actual Friant Surcharge receipts are reported here in accordance with 3407(f) of the CVPIA. However, the receipts are actually deposited in the San Joaquin River Restoration Fund (SJRRF).

2/ Projected revenues for Friant Surcharge are \$0.00 due to the fact that all revenues received are deposited into the San Joaquin River Restoration Fund (SJRRF).

3/ All Friant revenues (actual or projected) received as of October 1, 2009 are deposited into the SJRRF.

Note: Schedules may reflect rounding differences.

Schedule 2

**Central Valley Project Restoration Fund
Friant Division Surcharges (Subsection 3406(c)(1))
for Fiscal Year 2010 (Actual) and Fiscal Year 2012 (Projected)**

<u>Irrigation Revenues:</u>	<u>FY 2010 (Actual)</u>	<u>1/</u>	<u>FY 2012 (Projected)</u>	<u>2/</u>
<u>Service Area:</u>				
Friant-Kern Canal	\$8,488,406		\$0	
Cross Valley Canal	0		0	
Madera Canal	2,093,980		0	
Friant Dam	46,928		0	
Total Irrigation Revenues	\$10,629,314		\$0	
<u>Municipal & Industrial (M&I) Revenues:</u>				
<u>Service Area:</u>				
Friant-Kern Canal	\$173,824		\$0	
Cross Valley Canal	0		0	
Madera Canal	0		0	
Friant Dam	1,120		0	
Total M&I Revenues	\$174,944		\$0	
GRAND TOTAL	\$10,804,258		\$0	

1/ Actual Friant Surcharge receipts are reported here in accordance with 3407(f) of the CVPIA. However, the receipts are actually deposited in the San Joaquin River Restoration Fund.

2/ Projected revenues for Friant Surcharge are \$0.00 due to the fact that all revenues received are deposited into the San Joaquin River Restoration Fund (SJRRF).

Note: Project water delivered from the Friant Division is subject to a \$7.00 per acre-foot surcharge.

Central Valley Project Restoration Fund
Restoration Charges (Subsection 3407(c) & (d))
for Fiscal Year 2010 (Actual) and Fiscal Year 2012 (Projected)

<u>Service Areas:</u>	<u>FY 2010</u>	<u>FY 2012</u>	<u>FY 2010</u>	<u>FY 2012</u>
	<u>(Actual)</u>	<u>(Projected)</u>	<u>(Actual)</u>	<u>(Projected)</u>
	<u>Irrigation</u>		<u>Municipal & Industrial (M&I)</u>	
FOLSOM				
Folsom Dam & Reservoir	\$0	\$0	\$667,625	\$847,222
Folsom-South Canal	0	0	187,846	371,818
Sugar Pine Dam & Reservoir	0	2,242	20,010	45,337
Sly Park Dam & Reservoir	36,102	62,283	345,778	326,427
Subtotal Folsom	<u>\$36,102</u>	<u>\$64,525</u>	<u>\$1,221,259</u>	<u>\$1,590,804</u>
TRACY				
Contra Costa Canal	\$0	\$0	\$1,613,081	\$1,583,895
Delta-Mendota Canal	433,409	1,769,535	122,360	168,255
San Luis Canal-Tracy	214,753	1,164,767	102,235	12,531
New Melones Dam & Reservoir	0	0	439,215	0
San Felipe Unit	109,211	434,362	1,309,856	1,660,116
Subtotal Tracy	<u>\$757,373</u>	<u>\$3,368,664</u>	<u>\$3,586,747</u>	<u>\$3,424,797</u>
FRESNO				
San Luis Canal-Fresno	\$3,093,245	\$8,440,731	\$187,328	\$246,253
Friant Dam	61,073	0	2,916	3,155
Friant-Kern Canal	11,027,716	6,638,858	396,635	1,064,804
Cross Valley Canal	259,107	393,517	0	17,645
Madera Canal	2,723,267	1,501,257	0	0
Delta-Mendota Pool	198,056	307,379	0	0
Buchanan Unit	229,800	298,958	0	0
Hidden Unit	218,640	298,958	0	0
Subtotal Fresno	<u>\$17,810,903</u>	<u>\$17,879,659</u>	<u>\$586,879</u>	<u>\$1,331,857</u>
SHASTA				
Clear Creek Unit	\$0	\$0	(\$30,634) 1/	\$35,055
Shasta Dam & Reservoir	0	0	32,973	31,663
Spring Creek Conduit	0	0	88,989	79,267
Cow Creek Unit	0	0	67,560	41,982
Toyon Pipeline	0	0	39,933	47,005
Sacramento River - Shasta	29,052	37,856	61,071	152,822
Subtotal Shasta	<u>\$29,052</u>	<u>\$37,856</u>	<u>\$259,892</u>	<u>\$387,795</u>
WILLOWS				
Corning Canal	\$0	\$0	\$0	\$0
Tehama-Colusa Canal	266,695	7,960	5,264	2,122
Black Butte Dam & Reservoir	0	0	1,724	472
Colusa Basin Drain	0	0	0	0
Feather River	57,259	186,849	0	0
Sacramento River - Willows	1,474,310	1,928,232	61,735	0
Subtotal Willows	<u>\$1,798,265</u>	<u>\$2,123,041</u>	<u>\$68,723</u>	<u>\$2,593</u>
GRAND TOTAL	<u><u>\$20,431,694</u></u>	<u><u>\$23,473,745</u></u>	<u><u>\$5,723,500</u></u>	<u><u>\$6,737,846</u></u>
Summary of Restoration Charges for Water and Power:			FY 2010	FY 2012
Restoration Charges - Irrigation			\$20,431,694	\$23,473,745
Restoration Charges - M&I			5,723,500	6,737,846
Restoration Charges - Power			10,681,594	22,555,408
Grand Total			<u><u>\$36,836,789</u></u>	<u><u>\$52,767,000</u></u>

1/ Contractor payments were incorrectly applied to restoration-M&I water in FY 2005 and FY 2007, then corrected to water account or correct contract in FY 2010.

**Central Valley Project Restoration Fund
Restoration Fund Expenditures
for Fiscal Year 2010 (Actual) and Fiscal Year 2012 (Projected)**

FISH AND WILDLIFE RESTORATION ACTIVITIES	CVPIA SUBSECTION	FY 2010 (Actual)	FY 2012 (Projected)
Habitation Restoration, Improvement and Acquisition			
Anadromous Fish Restoration Program	3406(b)(1)	\$3,825,970	\$8,187,000
Other CVP Impacts	3406(b)(1) Other	3,267,588	5,375,000
Dedicated Project Yield	3406(b)(2)	912,835	800,000
Water Acquisition	3406(b)(3)	15,064,428	11,100,000
Flow Fluctuation Study	3406(b)(9)	8,729	50,000
San Joaquin River Basin Res Mgt Initiative	3406(c)(1)	3,957,176	2,000,000
San Joaquin Basin Action Plan	3406(d)	76,219	200,000
Refuge Water Supply/Conveyance	3406(d)(1)(2)(5)	10,488,495	14,707,000
Ecosystem/Water Operations Study	3406(g)	649,191	700,000
Land Retirement	3408(h)	760,436	500,000
Subtotal		<u>\$39,011,069</u>	<u>\$43,619,000</u>
Other Fish and Wildlife Restoration Activities			
Tracy Pumping Plant & Fish Test Facility	3406(b)(4)	\$225,886	\$0
Clear Creek Restoration	3406(b)(12)	505,946	800,000
Spawning Gravel	3406(b)(13)	680,744	1,000,000
Comp Assess. & Monitoring Prgm	3406(b)(16)	1,227,485	1,600,000
Anadromous Fish Screen Program	3406(b)(21)	5,560,657	6,049,000
Subtotal		<u>\$8,200,719</u>	<u>\$9,449,000</u>
GRAND TOTAL EXPENDITURES		<u><u>\$47,211,787</u></u>	<u><u>\$53,068,000</u></u>