

ANNUAL FINANCIAL REPORT

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

Revenues and Expenditures for the Periods:

October 1, 2010 - September 30, 2011 (Actual)

October 1, 2012 - September 30, 2013 (Projected)

February 2013

**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 19th annual financial report which describes Central Valley Project Restoration Fund (CVPRF or Restoration Fund) revenues (receipts) and expenditures (uses) during Fiscal Year (FY) 2011 as well as projected CVPRF revenues and expenditures during FY 2013. For purposes of this report, revenues are actual receipts (payments) processed.

In FY 2011, the Bureau of Reclamation (Reclamation) collected approximately \$59.2 million from assessments and charges authorized by CVPIA. The majority of receipts, \$51.2 million, went into the Restoration Fund and \$8.0 million went into the San Joaquin River Restoration Fund (SJRRF). Reclamation spent \$49.6 million on habitat restoration, improvement, and acquisition, and other fish and wildlife restoration activities. For FY 2013, the projection for revenues is \$39.9 million and \$39.9 million for expenditures.

Included in this financial report are four schedules which detail revenues and expenditures. Schedule 1 provides an overall view of CVPRF revenues and expenditures. 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, California Bay-Delta Restoration appropriations 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 in implementing the provisions of CVPIA include funds deposited in to the San Joaquin River Restoration Settlement Act, Title X of Public Law 111-11. This legislation provides that approximately \$5.6 million in projected FY 2013 revenues deposited in the CVPRF prior to FY 2010 are deposited in the San Joaquin River Restoration Fund. Another challenge facing the Central Valley Project Restoration Fund includes consecutive drought-years, which reduces revenues from water contractors and increases assessments 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 Restoration Fund. Table 1 below shows actual FY 2011 receipts of \$59.2 million by revenue type and projected FY 2013 receipts by revenue type totaling \$39.9 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 2011 Actual Receipts	FY 2013 Projected Receipts
Pre-Renewal Charges	§3404(c)(3)	\$0	\$0
Tiered Water Charges	§3405(d)	\$192,125	\$300,000
Water Transfer Charges	§3405(a)(1)(B)	\$15	\$0
Friant Division Surcharges	§3406(c)(1)	\$7,933,613	\$0
M&I Surcharges	§3407(d)(2)(A)	\$1,457,109	\$1,000
Restoration Charges	§3407(c) & (d)	\$49,614,000	\$39,582,000
Total Receipts		\$59,196,862	\$39,883,000

As shown in Table 1, nearly all collections in FY 2011 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.

Table 2: Restoration Charges by Beneficiary

Payment by Beneficiary	FY 2011 Actual Receipts	FY 2013 Projected Receipts
Restoration Charges - Irrigation	\$22,947,707	\$24,214,646
Restoration Charges - M&I	\$5,705,841	\$6,721,584
Restoration Charges - Power	\$20,960,452	\$8,645,770
Grand Total	\$49,614,000	\$39,582,000

Table 2 shows receipts for Restoration Charges by project beneficiaries. The Restoration Charges are not to exceed \$30.0 million (1992 dollars) on a 3-year rolling average per the CVPIA which generates peaks and valleys in the receipts. Fiscal Year 2011 was a mid-high year and FY 2013 is projected to be a low year.

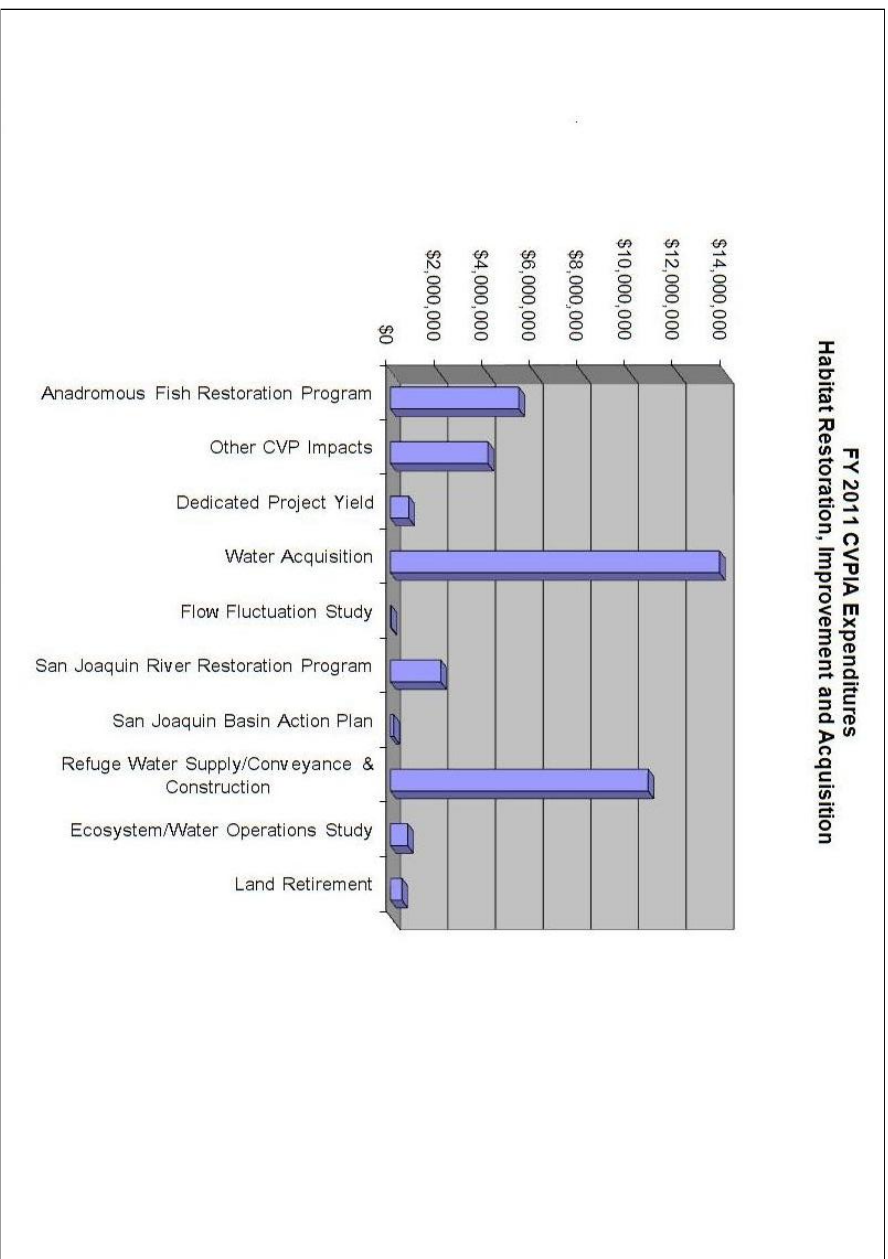
Restoration Fund Expenditures

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 2011, Reclamation spent \$38.4 million (or 77%) on habitat related activities. Reclamation projects habitat restoration spending to fall slightly to \$33.1 million for FY 2013.

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 2011, Reclamation spent \$11.2 million (or 23%) on fish and wildlife restoration activities, and projections for FY 2013 show spending to be \$6.0 million. These expenditures are detailed on Schedule 4 and do not include the four other funding sources mentioned above.

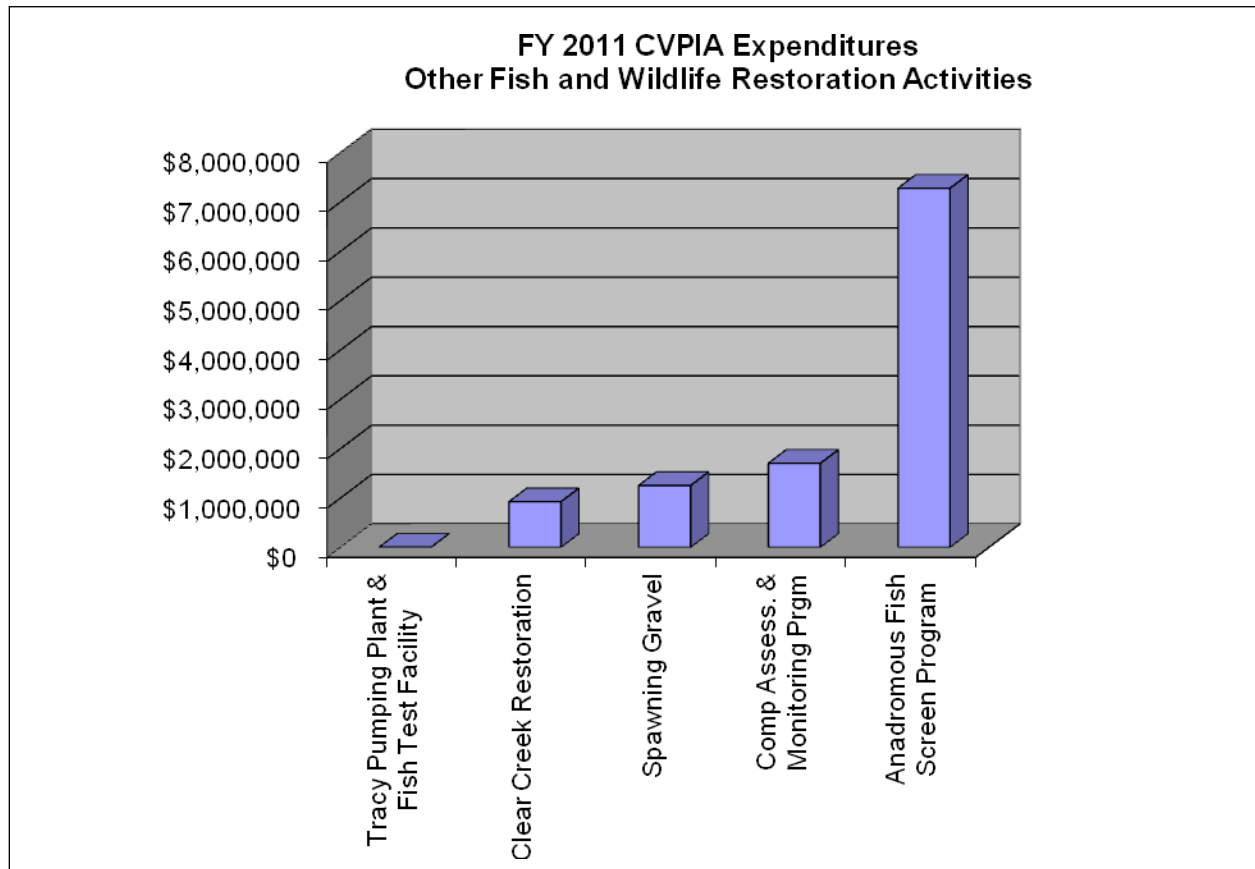
Charts 1 and 2 graphically depict the expenditures during FY 2011 for Habitat Restoration, Improvement and Acquisition, and Other Fish and Wildlife Restoration Activities.

Chart 1



Reclamation spent \$39.0 million on habitat related work. See Schedule 4.

Chart 2



The remaining \$8.2 million of FY 2011 expenditures were used for fish and wildlife restoration activities. For specific uses, refer to Schedule 4.

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.

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

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: Uses are disbursements by the Federal Treasury in the form of checks or cash. Uses 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.

Schedule 1

**Central Valley Project Restoration Fund
Revenues and Expenditures
for Fiscal Year 2011 (Actual) and Fiscal Year 2013 (Projected)**

<u>REVENUES:</u>		<u>FY 2011 (Actual)</u>	<u>FY 2013 (Projected)</u>
<u>Non-Discretionary Revenues:</u>			
Pre-Renewal Charges (Subsection 3404(c)(3))		0	0
Tiered Water Charges (Subsection 3405(d))		192,125	300,000
Water Transfer Charges (Subsection 3405(a)(1)(B))		15	0
Friant Division Surcharges (Subsection 3406(c)(1)) 3/ See Schedule 2		7,933,613 1/	0 2/
M&I Surcharges (Subsection 3407(d)(2)(A))		1,457,109	1,000
Subtotal - Non-Discretionary Revenues		<u>9,582,862</u>	<u>301,000</u>
<u>Discretionary Revenues:</u>			
Restoration Charges (Subsection 3407(c) & (d))	See Schedule 3	49,614,000	39,582,000
<u>Contributions:</u>			
Non-Federal Contributions (Subsection 3407(a))		<u>0</u>	<u>0</u>
TOTAL REVENUES		<u><u>59,196,862</u></u>	<u><u>39,883,000</u></u>
 <u>EXPENDITURES:</u>			
Expenditures (Subsections 3406, 3408 & 3410)	See Schedule 4	49,567,956	39,883,000
Expenditures of Non-Federal Contributions		<u>0</u>	<u>0</u>
TOTAL EXPENDITURES		<u><u>49,567,956</u></u>	<u><u>39,883,000</u></u>
 NET INCREASE/DECREASE (Revenues less Expenditures)		<u><u>9,628,907</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 2011 (Actual) and Fiscal Year 2013 (Projected)**

<u>Irrigation Revenues:</u>	FY 2011 (Actual) 1/	FY 2013 (Projected) 2/
<u>Service Area:</u>		
Friant-Kern Canal	\$6,077,258	\$0
Cross Valley Canal	2,513	0
Madera Canal	1,216,044	0
Friant Dam	<u>8,036</u>	<u>0</u>
Total Irrigation Revenues	<u>\$7,303,851</u>	<u>\$0</u>
 <u>Municipal & Industrial (M&I) Revenues:</u>		
<u>Service Area:</u>		
Friant-Kern Canal	\$628,131	\$0
Cross Valley Canal	0	0
Madera Canal	0	0
Friant Dam	<u>1,631</u>	<u>0</u>
Total M&I Revenues	<u>\$629,762</u>	<u>\$0</u>
 GRAND TOTAL	<u>\$7,933,613</u>	<u>\$0</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.

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 2011 (Actual) and Fiscal Year 2013 (Projected)**

Service Areas:	FY 2011 (Actual)	FY 2013 (Projected)	FY 2011 (Actual)	FY 2013 (Projected)
	Irrigation		Municipal & Industrial (M&I)	
FOLSOM				
Folsom Dam & Reservoir	\$61,477	\$0	\$786,895	\$757,486
Folsom-South Canal	0	0	(126,071) 1/	729,224
Sugar Pine Dam & Reservoir	0	2,280	11,979	40,512
Sly Park Dam & Reservoir	19,217	63,323	233,014	291,690
Subtotal Folsom	<u>\$80,694</u>	<u>\$65,603</u>	<u>\$905,817</u>	<u>\$1,818,912</u>
TRACY				
Contra Costa Canal	\$0	\$0	\$866,889	\$1,427,238
Delta-Mendota Canal	1,378,195	1,481,724	111,238	136,122
San Luis Canal-Tracy	1,092,236	1,065,133	199,476	11,149
New Melones Dam & Reservoir	0	0	254,752	0
San Felipe Unit	219,053	423,075	1,228,216	1,708,248
Subtotal Tracy	<u>\$2,689,484</u>	<u>\$2,969,932</u>	<u>\$2,660,572</u>	<u>\$3,282,757</u>
FRESNO				
San Luis Canal-Fresno	\$7,988,485	\$7,535,594	\$214,723	\$213,112
Friant Dam	10,586	0	4,258	2,739
Friant-Kern Canal	7,858,659	6,871,942	1,297,285	994,224
Cross Valley Canal	272,596	389,285	0	15,767
Madera Canal	1,634,140	1,612,043	0	0
Delta-Mendota Pool	226,421	286,829	0	0
Buchanan Unit	221,160	303,951	1,800	0
Hidden Unit	222,960	303,951	0	0
Subtotal Fresno	<u>\$18,435,007</u>	<u>\$17,303,596</u>	<u>\$1,518,065</u>	<u>\$1,225,842</u>
SHASTA				
Clear Creek Unit	\$0	\$0	\$34,237	\$29,234
Shasta Dam & Reservoir	0	0	26,295	29,947
Spring Creek Conduit	0	0	150,519	77,525
Cow Creek Unit	0	0	89,272	46,832
Toyon Pipeline	0	0	40,768	41,031
Sacramento River - Shasta	(26311.04) 2/	38,576	122,550	166,976
Subtotal Shasta	<u>(26311.04)</u>	<u>\$38,576</u>	<u>\$463,640</u>	<u>\$391,545</u>
WILLOWS				
Corning Canal	\$0	\$57,751	\$0	\$0
Tehama-Colusa Canal	413,404	1,567,476	22,968	1,912
Black Butte Dam & Reservoir	3,800	9,258	970	616
Colusa Basin Drain	0	0	0	0
Feather River	98,200	189,969	0	0
Sacramento River - Willows	1,253,429	2,012,486	133,808	0
Subtotal Willows	<u>\$1,768,833</u>	<u>\$3,836,940</u>	<u>\$157,746</u>	<u>\$2,528</u>
GRAND TOTAL	<u><u>\$22,947,707</u></u>	<u><u>\$24,214,646</u></u>	<u><u>\$5,705,841</u></u>	<u><u>\$6,721,584</u></u>
Summary of Restoration Charges for Water and Power:			FY 2011	FY 2013
Restoration Charges - Irrigation			\$22,947,707	\$24,214,646
Restoration Charges - M&I			5,705,841	6,721,584
Restoration Charges - Power			20,960,452	8,645,770
Grand Total			<u><u>\$49,614,000</u></u>	<u><u>\$39,582,000</u></u>

1/ Contractor payments were applied to the incorrect program in FY 2007 and FY 2008, then corrected to the proper program in FY 2011.

2/ Contractor payments were applied to the incorrect revenue source code in FY 2010, then corrected to the proper revenue source code in FY 2011.

**Central Valley Project Restoration Fund
Restoration Fund Expenditures
for Fiscal Year 2011 (Actual) and Fiscal Year 2013 (Projected)**

FISH AND WILDLIFE RESTORATION ACTIVITIES	CVPIA SUBSECTION	FY 2011 (Actual)	FY 2013 (Projected)
Habitat Restoration, Improvement and Acquisition			
Anadromous Fish Restoration Program	3406(b)(1)	\$5,388,810	\$5,500,000
Other CVP Impacts	3406(b)(1) Other	4,094,758	3,500,000
Dedicated Project Yield	3406(b)(2)	775,119	600,000
Water Acquisition	3406(b)(3)	13,812,034	11,100,000
Flow Fluctuation Study	3406(b)(9)	36,903	50,000
San Joaquin River Restoration Program	3406(c)(1)	2,115,697	2,000,000
San Joaquin Basin Action Plan	3406(d)	142,229	0
Refuge Water Supply/Conveyance & Construction	3406(d)(1)(2)(5)	10,818,977	9,200,000
Ecosystem/Water Operations Study	3406(g)	732,097	600,000
Land Retirement	3408(h)	488,025	500,000
Subtotal		<u>\$38,404,649</u>	<u>\$33,050,000</u>
Other Fish and Wildlife Restoration Activities			
Tracy Pumping Plant & Fish Test Facility	3406(b)(4)	\$1,657	\$0
Clear Creek Restoration	3406(b)(12)	924,410	555,000
Spawning Gravel	3406(b)(13)	1,253,471	903,000
Comp Assess. & Monitoring Prgm	3406(b)(16)	1,702,713	1,300,000
Anadromous Fish Screen Program	3406(b)(21)	7,278,658	3,200,000
Subtotal		<u>\$11,160,909</u>	<u>\$5,958,000</u>
Other Expenses			
CVPIA Administration	3410	\$0	\$875,000
Interest Expense	3410	\$2,398	\$0
GRAND TOTAL EXPENDITURES		<u><u>\$49,567,956</u></u>	<u><u>\$39,883,000</u></u>