

ANNUAL FINANCIAL REPORT

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

Revenues and Expenditures for the Periods:

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

October 1, 2013 - September 30, 2014 (Projected)

September 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 20th annual financial report which describes Central Valley Project Restoration Fund (CVPRF or Restoration Fund) revenues (receipts) and expenditures (uses) during Fiscal Year (FY) 2012 as well as projected CVPRF revenues and expenditures during FY 2014. For purposes of this report, revenues are actual receipts (payments) processed.

In FY 2012, the Bureau of Reclamation (Reclamation) collected approximately \$59.5 million from assessments and charges authorized by CVPIA. The majority of receipts, \$53.3 million, went into the Restoration Fund and \$6.2 million went into the San Joaquin River Restoration Fund (SJRRF). Reclamation spent \$47.6 million on habitat restoration, improvement, and acquisition, and other fish and wildlife restoration activities. For FY 2014, the projection for revenues is \$53.6 million and \$53.2 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 into 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 2014 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 2012 receipts of \$59.5 million by revenue type and projected FY 2014 receipts by revenue type totaling \$53.6 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 2012 Actual Receipts	FY 2014 Projected Receipts
Pre-Renewal Charges	§3404(c)(3)	\$0	\$0
Tiered Water Charges	§3405(d)	\$107,457	\$300,000
Water Transfer Charges	§3405(a)(1)(B)	\$37	\$0
Friant Division Surcharges	§3406(c)(1)	\$6,195,992	\$0
M&I Surcharges	§3407(d)(2)(A)	\$436,654	\$1,000
Restoration Charges	§3407(c) & (d)	\$52,760,699	\$53,347,000
Total Receipts		\$59,500,839	\$53,648,000

As shown in Table 1, nearly all collections in FY 2012 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 2012 Actual Receipts	FY 2014 Projected Receipts
Restoration Charges - Irrigation	\$21,191,633	\$25,646,777
Restoration Charges - M&I	\$10,706,433	\$7,131,976
Restoration Charges - Power	\$20,862,633	\$20,568,247
Grand Total	\$52,760,699	\$53,347,000

Table 2 shows receipts for Restoration Charges by project beneficiaries. The Restoration Charges are not to exceed \$30.0 million (October 1992 dollars) on a 3-year rolling average per the CVPIA which generates peaks and valleys in the receipts. Fiscal Year 2012 was a high year and FY 2014 is a mid-high year.

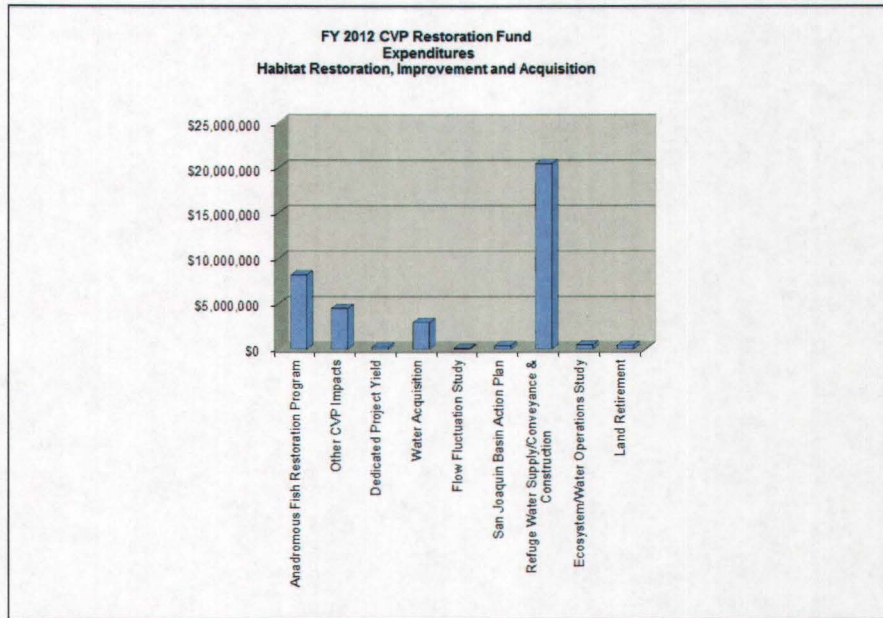
Restoration Fund Expenditures

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 2012, Reclamation spent \$37.5 million (or 78%) on habitat related activities. Reclamation projects habitat restoration spending to increase slightly to \$41.1 million for FY 2014.

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 2012, Reclamation spent \$7.6 million (or 16%) on fish and wildlife restoration activities, and projections for FY 2014 show spending to be \$9.3 million. These expenditures are detailed on Schedule 4 and do not include the four other funding sources mentioned above.

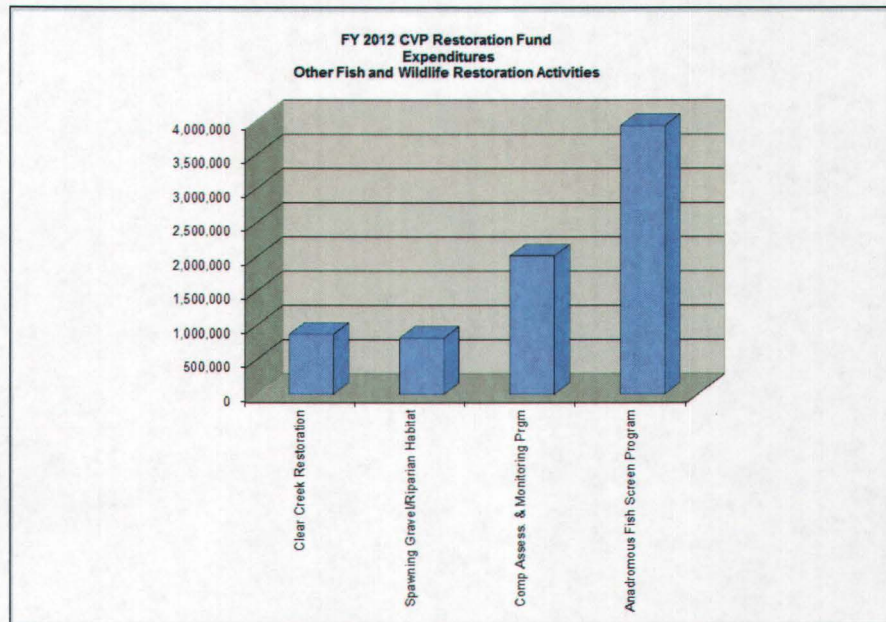
Charts 1 and 2 graphically depict the expenditures during FY 2012 for Habitat Restoration, Improvement and Acquisition, and Other Fish and Wildlife Restoration Activities.

Chart 1



Reclamation spent \$37.5 million on habitat related work. See Schedule 4.

Chart 2



An additional \$7.6 million of FY 2012 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 acts 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 2012 (Actual) and Fiscal Year 2014 (Projected)**

<u>REVENUES:</u>		FY 2012 (Actual)	FY 2014 (Projected)
<u>Non-Discretionary Revenues:</u>			
Pre-Renewal Charges (Subsection 3404(c)(3))		0	0
Tiered Water Charges (Subsection 3405(d))		107,457	300,000
Water Transfer Charges (Subsection 3405(a)(1)(B))		37	0
Friant Division Surcharges (Subsection 3406(c)(1))	3/ See Schedule 2	6,195,992 1/	0 2/
M&I Surcharges (Subsection 3407(d)(2)(A))		436,654	1,000
Subtotal - Non-Discretionary Revenues		6,740,140	301,000
<u>Discretionary Revenues:</u>			
Restoration Charges (Subsection 3407(c) & (d))	See Schedule 3	52,760,699	53,347,000
<u>Contributions:</u>			
Non-Federal Contributions (Subsection 3407(a))		0	0
TOTAL REVENUES		59,500,839	53,648,000
 <u>EXPENDITURES:</u>			
Expenditures (Subsections 3406, 3408 & 3410)	See Schedule 4	47,619,307	53,288,000
Expenditures of Non-Federal Contributions		0	0
TOTAL EXPENDITURES		47,619,307	53,288,000
 NET INCREASE/DECREASE (Revenues less Expenditures)		 11,881,532	 360,000

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 2012 (Actual) and Fiscal Year 2014 (Projected)**

<u>Irrigation Revenues:</u>	<u>FY 2012 (Actual)</u> 1/	<u>FY 2014 (Projected)</u> 2/
<u>Service Area:</u>		
Friant-Kern Canal	\$4,479,097	\$0
Cross Valley Canal	0	0
Madera Canal	1,163,785	0
Friant Dam	1,904	0
Total Irrigation Revenues	\$5,644,786	\$0
 <u>Municipal & Industrial (M&I) Revenues:</u>		
<u>Service Area:</u>		
Friant-Kern Canal	\$549,211	\$0
Cross Valley Canal	0	0
Madera Canal	0	0
Friant Dam	1,995	0
Total M&I Revenues	\$551,206	\$0
 GRAND TOTAL	\$6,195,992	\$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 2012 (Actual) and Fiscal Year 2014 (Projected)

<u>Service Areas:</u>	<u>FY 2012</u>	<u>FY 2014</u>	<u>FY 2012</u>	<u>FY 2014</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	(\$61,477) 1/	\$0	\$717,462	\$762,407
Folsom-South Canal	0	0	158,733	351,510
Sugar Pine Dam & Reservoir	0	2,582	25,036	49,206
Sly Park Dam & Reservoir	32,476	71,733	306,564	322,076
Subtotal Folsom	(\$29,001)	\$74,315	\$1,207,796	\$1,485,199
TRACY				
Contra Costa Canal	\$0	\$0	\$2,373,025	\$1,467,843
Delta-Mendota Canal	1,287,493	1,577,055	170,283	145,578
San Luis Canal-Tracy	2,104,471	1,099,201	18,309	12,310
New Melones Dam & Reservoir	0	0	1,010,278	283,677
San Felipe Unit	565,299	325,666	3,269,828	1,937,930
Subtotal Tracy	\$3,957,263	\$3,001,922	\$6,841,723	\$3,847,339
FRESNO				
San Luis Canal-Fresno	\$5,661,213	\$7,795,121	\$244,287	\$223,825
Friant Dam	2,518	0	5,281	2,881
Friant-Kern Canal	6,003,309	7,527,961	1,836,198	1,085,127
Cross Valley Canal	188,063	541,667	0	17,410
Madera Canal	1,556,258	1,834,245	0	0
Delta-Mendota Pool	314,621	301,248	0	0
Buchanan Unit	225,360	344,316	0	0
Hidden Unit	225,360	344,316	0	0
Subtotal Fresno	\$14,176,702	\$18,688,875	\$2,085,766	\$1,329,243
SHASTA				
Clear Creek Unit	\$0	\$0	\$37,849	\$30,830
Shasta Dam & Reservoir	0	0	39,551	30,239
Spring Creek Conduit	0	0	150,182	86,388
Cow Creek Unit	0	0	100,756	67,743
Toyon Pipeline	0	0	43,650	42,532
Sacramento River - Shasta	(2,097) 2/	43,656	96,319	209,707
Subtotal Shasta	(\$2,097)	\$43,656	\$468,307	\$467,439
WILLOWS				
Corning Canal	\$16,140	\$62,996	\$56	\$0
Tehama-Colusa Canal	1,847,771	1,257,199	4,832	2,093
Black Butte Dam & Reservoir	3,521	10,918	6,515	662
Colusa Basin Drain	0	0	0	0
Feather River	52,145	215,198	0	0
Sacramento River - Willows	1,169,188	2,291,698	91,438	0
Subtotal Willows	\$3,088,765	\$3,838,008	\$102,841	\$2,756
GRAND TOTAL	<u>\$21,191,633</u>	<u>\$25,646,777</u>	<u>\$10,706,433</u>	<u>\$7,131,976</u>
Summary of Restoration Charges for Water and Power:			FY 2012	FY 2014
Restoration Charges - Irrigation			\$21,191,633	\$25,646,777
Restoration Charges - M&I			\$10,706,433	7,131,976
Restoration Charges - Power			20,862,633	20,568,247
Grand Total			<u>\$52,760,699</u>	<u>\$53,347,000</u>

1/ Contractor payments were applied to the incorrect revenue source code in FY 2011, then corrected to the proper revenue source code in FY 2012.

2/ Contractor payments were applied to the incorrect revenue source code from FY 2008 to 2011, then corrected to the proper revenue source code in FY 2012.

**Central Valley Project Restoration Fund
Restoration Fund Expenditures
for Fiscal Year 2012 (Actual) and Fiscal Year 2014 (Projected)**

FISH AND WILDLIFE RESTORATION ACTIVITIES	CVPIA SUBSECTION	FY 2012 (Actual)	FY 2014 (Projected)
Habitat Restoration, Improvement and Acquisition			
Anadromous Fish Restoration Program	3406(b)(1)	\$8,179,419	\$10,065,000
Other CVP Impacts	3406(b)(1) Other	4,459,494	3,500,000
Dedicated Project Yield	3406(b)(2)	247,644	600,000
Water Acquisition	3406(b)(3)	2,933,660	2,856,000
Flow Fluctuation Study	3406(b)(9)	69,394	0
San Joaquin Basin Action Plan	3406(d)	377,001	0
Refuge Water Supply/Conveyance & Construction	3406(d)(1)(2)(5)	20,445,988	22,792,000
Ecosystem/Water Operations Study	3406(g)	442,373	800,000
Land Retirement	3408(h)	388,688	500,000
Subtotal		<u>\$37,543,660</u>	<u>\$41,113,000</u>
Other Fish and Wildlife Restoration Activities			
Clear Creek Restoration	3406(b)(12)	874,447	800,000
Spawning Gravel/Riparian Habitat	3406(b)(13)	821,075	1,200,000
Comp Assess. & Monitoring Prgm	3406(b)(16)	2,018,553	2,200,000
Anadromous Fish Screen Program	3406(b)(21)	3,924,812	5,070,000
Subtotal		<u>\$7,638,888</u>	<u>\$9,270,000</u>
Other Expenses			
CVPIA Administration	3407	\$794,243	\$905,000
Interest Expense	3407	\$0	\$0
Public Law 111-11			
San Joaquin River Restoration Program		1,642,516	2,000,000
GRAND TOTAL EXPENDITURES		<u><u>\$47,619,307</u></u>	<u><u>\$53,288,000</u></u>