

ANNUAL FINANCIAL REPORT

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

Revenues and Expenditures for the Periods:

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

October 1, 2014 - September 30, 2015 (Projected)

September 2014

**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 21st annual financial report which describes Central Valley Project Restoration Fund (CVPRF or Restoration Fund) revenues (receipts) and expenditures (uses) during Fiscal Year (FY) 2013 as well as projected CVPRF revenues and expenditures during FY 2015. For purposes of this report, revenues are actual receipts (payments) processed.

In FY 2013, the Bureau of Reclamation (Reclamation) collected approximately \$43.7 million from assessments and charges authorized by the CVPIA. The majority of receipts, \$39.2 million, went into the Restoration Fund and \$4.3 million went into the San Joaquin River Restoration Fund (SJRRF). Reclamation spent \$49.0 million on habitat restoration, improvement, and acquisition, and other fish and wildlife restoration activities. For FY 2015, the projection for revenues is \$57.3 million and \$56.9 million for expenditures. It should be noted, that there will usually be a difference each year between the receipts and expenditures because the amount of receipts determines new budget authority to the extent provided in the Appropriations Act. Budget authority is the authorization to enter into legal obligations that result in immediate or future expenditures. However, not all of the new budget authority is expended in the fiscal year. Expenditures are payments that liquidate obligations incurred in the same year and unpaid obligations from previous fiscal years. In the case of major procurement actions, such as a construction project, payments may occur over a period of several years after the obligation is incurred.

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 Mitigation 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 the CVPIA include funds deposited into the San Joaquin River Restoration Fund established per 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 2015 revenues, deposited in the CVPRF prior to FY 2010, are now deposited in the San Joaquin River Restoration Fund, and therefore no longer available for CVPIA purposes. Another challenge facing the CVPRF includes consecutive drought-years, which reduces revenues from water contractors and increases assessments to power contractors.

Background

In 1992, the Congress passed the CVPIA, 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. The 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 CVPRF 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 shows actual FY 2013 receipts of \$43.7 million by revenue type and projected FY 2015 receipts by revenue type totaling \$57.3 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	FY2013 Actual Receipts	FY2014 Projected Receipts
Pre-Renewal Charges	3404(c)(3)	\$0	\$0
Tiered Water Charges	3405(d)	\$3,553	\$300,000
Water Transfer Charges	3405(a)(1)(B)	\$5,640	\$0
Friant Division Surcharges	3406(c)(1)	\$4,304,776	\$0
M&I Surcharge	3407(d)(2)(A)	\$174,216	\$1,000
Restoration Charges	3407(c)&(d)	\$39,188,227	\$56,955,000
Total Receipts		\$43,676,413	\$57,296,000

As shown in Table 1, nearly all collections in FY 2013 were derived from two CVPIA subsections - namely, Friant Division Surcharges and Mitigation 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: Mitigation and Restoration Charges by Beneficiary

Payment by Beneficiary	FY2013 Actual Receipts	FY2015 Projected Receipts
Restoration Charges - Irrigation	\$13,854,320	\$17,232,869
Restoration Charges - M&I	\$7,929,633	\$8,173,502
Restoration Charges - Power	\$17,404,274	\$31,588,629
Grand Total	\$39,188,227	\$56,995,000

Table 2 shows receipts for the Mitigation and Restoration Charges by project beneficiaries. The Mitigation and 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 2013 was a low year and FY 2015 is a high year.

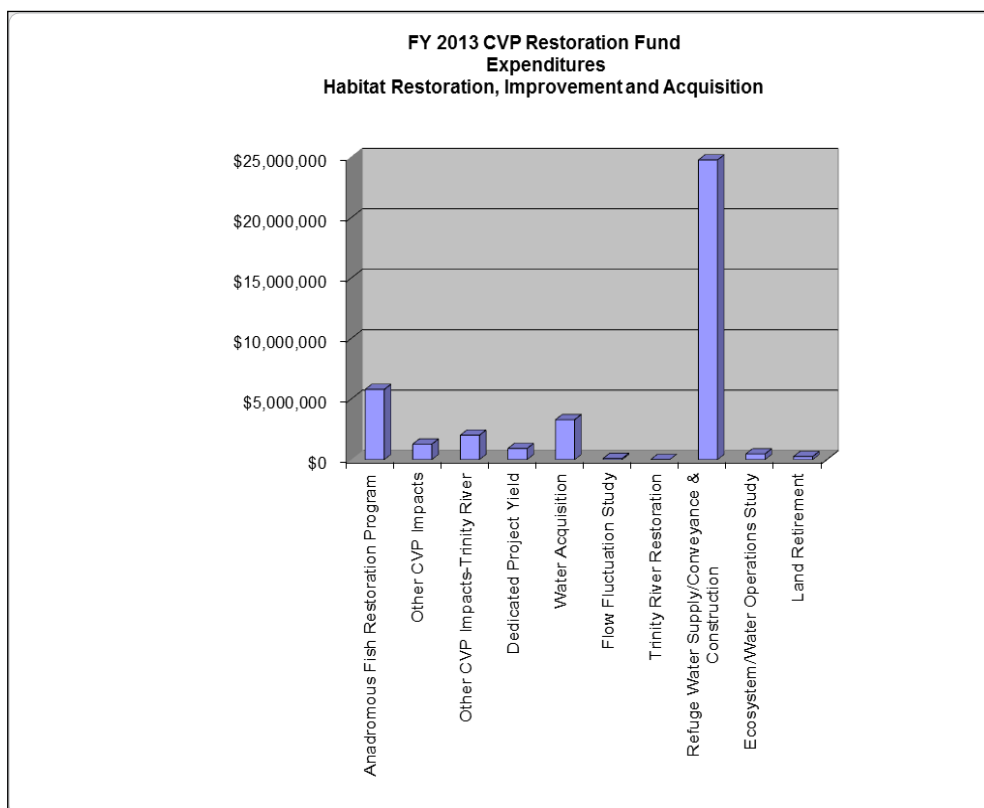
Restoration Fund Expenditures

CVPIA Section 3407(a) states that not less than 67 percent of all funds made available to the CVPRF under this title are authorized to be appropriated to carry out the habitat restoration, improvement and acquisition provisions of this title. In FY 2013, Reclamation spent \$38.9 million (or 79%) on habitat related activities. Reclamation projects habitat restoration spending to increase slightly to \$44.8 million for FY 2015.

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 2013, Reclamation spent \$8.9 million (or 18%) on fish and wildlife restoration activities, and projections for FY 2015 show spending to be \$8.9 million. These expenditures are detailed on Schedule 4 and do not include the four other funding sources mentioned above.

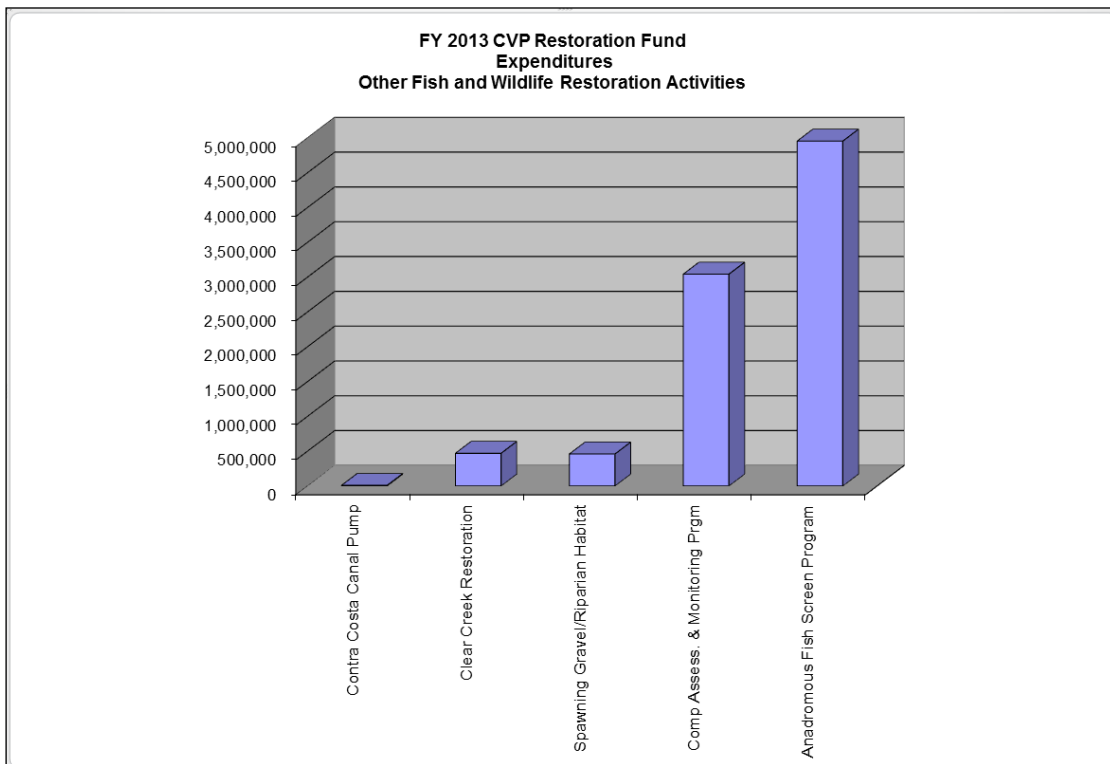
Charts 1 and 2 graphically depict the expenditures during FY 2013 for Habitat Restoration, Improvement and Acquisition, and Other Fish and Wildlife Restoration Activities.

Chart 1



Reclamation spent \$38.9 million on habitat related work. See Schedule 4.

Chart 2



An additional \$8.9 million of FY 2013 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 the CVPIA's many provisions to Reclamation and the U.S. Fish and Wildlife Service.

Receipts: The CVP Restoration Fund is to be available for deposit of donations from any source and revenues provided under sections 3404(c)(3), 3405(f), 3406(c)(1) and 3407(d) of the CVPIA.

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 2013 (Actual) and Fiscal Year 2015 (Projected)**

<u>REVENUES:</u>		<u>FY 2013 (Actual)</u>	<u>FY 2015 (Projected)</u>
<u>Non-Discretionary Revenues:</u>			
Pre-Renewal Charges (Subsection 3404(c)(3))		0	0
Tiered Water Charges (Subsection 3405(d))		3,553	300,000
Water Transfer Charges (Subsection 3405(a)(1)(B))		5,640	0
Friant Division Surcharges (Subsection 3406(c)(1))	3/ See Schedule 2	4,304,776 1/	0 2/
M&I Surcharges (Subsection 3407(d)(2)(A))		174,216	1,000
Subtotal - Non-Discretionary Revenues		<u>4,488,185</u>	<u>301,000</u>
<u>Discretionary Revenues:</u>			
Restoration Charges (Subsection 3407(c) & (d))	See Schedule 3	39,188,227	56,995,000
<u>Contributions:</u>			
Non-Federal Contributions (Subsection 3407(a))		<u>0</u>	<u>0</u>
TOTAL REVENUES		<u><u>43,676,413</u></u>	<u><u>57,296,000</u></u>
 <u>EXPENDITURES:</u>			
Expenditures (Subsections 3406, 3407, & 3408)	See Schedule 4	49,042,508	56,995,000
Expenditures of Non-Federal Contributions		<u>0</u>	<u>0</u>
TOTAL EXPENDITURES		<u><u>49,042,508</u></u>	<u><u>56,995,000</u></u>
 NET INCREASE/DECREASE (Revenues less Expenditures)		<u><u>(5,366,096)</u></u>	<u><u>301,000</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 2013 (Actual) and Fiscal Year 2015 (Projected)**

<u>Irrigation Revenues:</u>	<u>FY 2013 (Actual)</u> ^{1/}	<u>FY 2015 (Projected)</u> ^{2/}
<u>Service Area:</u>		
Friant-Kern Canal	\$3,144,400	\$0
Cross Valley Canal	0	0
Madera Canal	858,242	0
Friant Dam	<u>7</u>	<u>0</u>
Total Irrigation Revenues	<u>\$4,002,649</u>	<u>\$0</u>
<u>Municipal & Industrial (M&I) Revenues:</u>		
<u>Service Area:</u>		
Friant-Kern Canal	\$301,210	\$0
Cross Valley Canal	0	0
Madera Canal	0	0
Friant Dam	<u>917</u>	<u>0</u>
Total M&I Revenues	<u>\$302,127</u>	<u>\$0</u>
GRAND TOTAL	<u>\$4,304,776</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
Mitigation and Restoration Charges (Subsection 3407(c) & (d))
for Fiscal Year 2013 (Actual) and Fiscal Year 2015 (Projected)

<u>Service Areas:</u>	<u>FY 2013</u>	<u>FY 2015</u>	<u>FY 2013</u>	<u>FY 2015</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	\$809,330	\$832,564
Folsom-South Canal	0	0	71,431	394,770
Sugar Pine Dam & Reservoir	0	1,809	23,009	55,262
Sly Park Dam & Reservoir	42,522	50,238	256,398	361,714
Subtotal Folsom	<u>\$42,522</u>	<u>\$52,047</u>	<u>\$1,160,168</u>	<u>\$1,644,310</u>
TRACY				
Contra Costa Canal	\$0	\$0	\$2,368,647	\$1,861,519
Delta-Mendota Canal	702,301	1,010,517	152,775	182,243
San Luis Canal-Tracy	440,813	731,797	10,496	13,745
New Melones Dam & Reservoir	0	0	973,400	509,494
San Felipe Unit	668,240	253,049	1,621,172	1,920,719
Subtotal Tracy	<u>\$1,811,354</u>	<u>\$1,995,363</u>	<u>\$5,126,489</u>	<u>\$4,487,720</u>
FRESNO				
San Luis Canal-Fresno	\$2,491,512	\$4,865,440	\$200,805	\$238,972
Friant Dam	19	0	2,510	3,155
Friant-Kern Canal	4,347,455	5,482,825	834,967	1,233,885
Cross Valley Canal	545,004	269,366	0	19,553
Madera Canal	1,182,506	1,248,736	0	0
Delta-Mendota Pool	118,698	203,112	0	0
Buchanan Unit	233,160	241,142	0	0
Hidden Unit	234,960	241,142	0	0
Subtotal Fresno	<u>\$9,153,313</u>	<u>\$12,551,763</u>	<u>\$1,038,283</u>	<u>\$1,495,565</u>
SHASTA				
Clear Creek Unit	\$0	\$0	\$35,182	\$34,363
Shasta Dam & Reservoir	0	0	38,025	32,635
Spring Creek Conduit	0	0	137,865	108,574
Cow Creek Unit	0	0	158,984	86,972
Toyon Pipeline	0	0	21,818	41,677
Sacramento River - Shasta	23,201	33,619	96,801	238,610
Subtotal Shasta	<u>\$23,201</u>	<u>\$33,619</u>	<u>\$488,674</u>	<u>\$542,832</u>
WILLOWS				
Corning Canal	\$33,516	\$0	\$151	\$0
Tehama-Colusa Canal	1,497,869	733,214	4,358	2,351
Black Butte Dam & Reservoir	5,851	0	9,686	723
Colusa Basin Drain	0	0	0	0
Feather River	0	150,713	0	0
Sacramento River - Willows	1,286,695	1,716,150	101,824	0
Subtotal Willows	<u>\$2,823,931</u>	<u>\$2,600,077</u>	<u>\$116,020</u>	<u>\$3,075</u>
GRAND TOTAL	<u><u>\$13,854,320</u></u>	<u><u>\$17,232,869</u></u>	<u><u>\$7,929,633</u></u>	<u><u>\$8,173,502</u></u>
Summary of Restoration Charges for Water and Power:			FY 2013	FY 2015
Restoration Charges - Irrigation			\$13,854,320	\$17,232,869
Restoration Charges - M&I			\$7,929,633	8,173,502
Restoration Charges - Power*			17,404,274	31,588,629
Grand Total			<u><u>\$39,188,227</u></u>	<u><u>\$56,995,000</u></u>

*Power receipts are transferred to Reclamation on a monthly basis by the Western Area Power Administration. This value represents a summary of those monthly charges and receipts.

**Central Valley Project Restoration Fund
Restoration Fund Expenditures
for Fiscal Year 2013 (Actual) and Fiscal Year 2015 (Projected)**

FISH AND WILDLIFE RESTORATION ACTIVITIES	CVPIA SUBSECTION	FY 2013 (Actual)	FY 2015 (Projected)
Habitat Restoration, Improvement and Acquisition			
Anadromous Fish Restoration Program	3406(b)(1)	\$5,803,246	\$11,379,000
Other CVP Impacts	3406(b)(1) Other	1,280,167	1,700,000
Other CVP Impacts-Trinity River	3406(b)(1) Other	2,022,860	2,000,000
Dedicated Project Yield	3406(b)(2)	918,311	700,000
Water Acquisition	3406(b)(3)	3,300,114	12,105,000
Flow Fluctuation Study	3406(b)(9)	96,965	0
Trinity River Restoration	3406(b)(23)	138	0
Refuge Water Supply/Conveyance & Construction	3406(d)(1)(2)(5)	24,781,532	16,050,000
Ecosystem/Water Operations Study	3406(g)	471,439	900,000
Land Retirement	3408(h)	254,409	0
Subtotal		<u>\$38,929,180</u>	<u>\$44,834,000</u>
Other Fish and Wildlife Restoration Activities			
Contra Costa Canal Pump	3406(b)(5)	8,668	0
Clear Creek Restoration	3406(b)(12)	469,829	800,000
Spawning Gravel/Riparian Habitat	3406(b)(13)	459,900	1,690,000
Comp Assess. & Monitoring Prgm	3406(b)(16)	3,043,407	2,306,000
Anadromous Fish Screen Program	3406(b)(21)	4,955,665	4,150,000
Subtotal		<u>\$8,937,469</u>	<u>\$8,946,000</u>
Other Expenses			
CVPIA Administration	3407	\$580,280	\$1,215,000
Interest Expense	3407	\$0	\$0
Public Law 111-11			
San Joaquin River Restoration Program		595,579.02	2,000,000
GRAND TOTAL EXPENDITURES		<u><u>\$49,042,508</u></u>	<u><u>\$56,995,000</u></u>