

RECLAMATION

Managing Water in the West

Annual Financial Report Central Valley Project Improvement Act

Public Law 102-575, Title XXXIV

Revenues and Expenditures for the Periods:

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

October 1, 2015 - September 30, 2016 (Projected)

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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 22nd annual financial report which describes Central Valley Project Restoration Fund (CVPRF or Restoration Fund) revenues (receipts) and expenditures (uses) during Fiscal Year (FY) 2014 as well as projected CVPRF revenues and expenditures during FY 2016. For purposes of this report, revenues are actual cash receipts (payments) processed.

In FY 2014, the Bureau of Reclamation (Reclamation) collected approximately \$46.3 million from assessments and charges authorized by CVPIA. The majority of receipts, \$44.8 million, went into the Restoration Fund and \$1.4 million went into the San Joaquin River Restoration Fund (SJRRF). Reclamation spent \$44.5 million on habitat restoration, improvement, and acquisition, and other fish and wildlife restoration activities. For FY 2016, the projection for receipts is \$49.8 million and \$49.5 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 receipts and expenditures. Schedules 2 and 3 detail the CVPRF receipts 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.

There are a few challenges facing Reclamation in implementing the provisions of CVPIA. The first includes 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 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. The second challenge facing the CVPRF includes consecutive drought-years, which reduces revenues from water contractors and increases assessments to power contractors. The third challenge is increasing costs to convey water supplies to CVPIA wildlife refuges under Section 3406(d)(1), requiring a greater share of the CVPRF and reducing the ability to meet other CVPIA requirements.

Background

In 1992, Congress passed the CVPIA, which amended the previous authorization of California's Central Valley Project (CVP), to include fish and wildlife mitigation, 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 (Receipts)

Public Law 102-575, Title XXXIV, Section 3407 established the Restoration Fund. Table 1 shows actual FY 2014 receipts of \$46.3 million by revenue type and projected FY 2016 receipts by revenue type totaling \$49.8 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 2014 Actual Receipts	FY 2016 Projected Receipts
Pre-Renewal Charges	§3404(c)(3)	\$0	\$0
Tiered Water Charges	§3405(d)	\$596	\$300,000
Water Transfer Charges	§3405(a)(1)(B)	\$0	\$0
Friant Division Surcharges	§3406(c)(1)	\$1,435,128	\$0
M&I Surcharges	§3407(d)(2)(A)	\$0	\$1,000
Restoration Charges	§3407(c) & (d)	\$44,839,481	\$49,528,000
Total Receipts		\$46,275,204	\$49,829,000

As shown in Table 1, nearly all collections in FY 2014 were 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	FY 2014 Actual Receipts	FY 2016 Projected Receipts
Restoration Charges - Irrigation	\$5,029,858	\$8,024,338
Restoration Charges - M&I	\$5,488,970	\$5,985,672
Restoration Charges - Power	\$34,320,653	\$35,517,990
Grand Total	\$44,839,481	\$49,528,000

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 2014 was a low year and FY 2016 is a medium year.

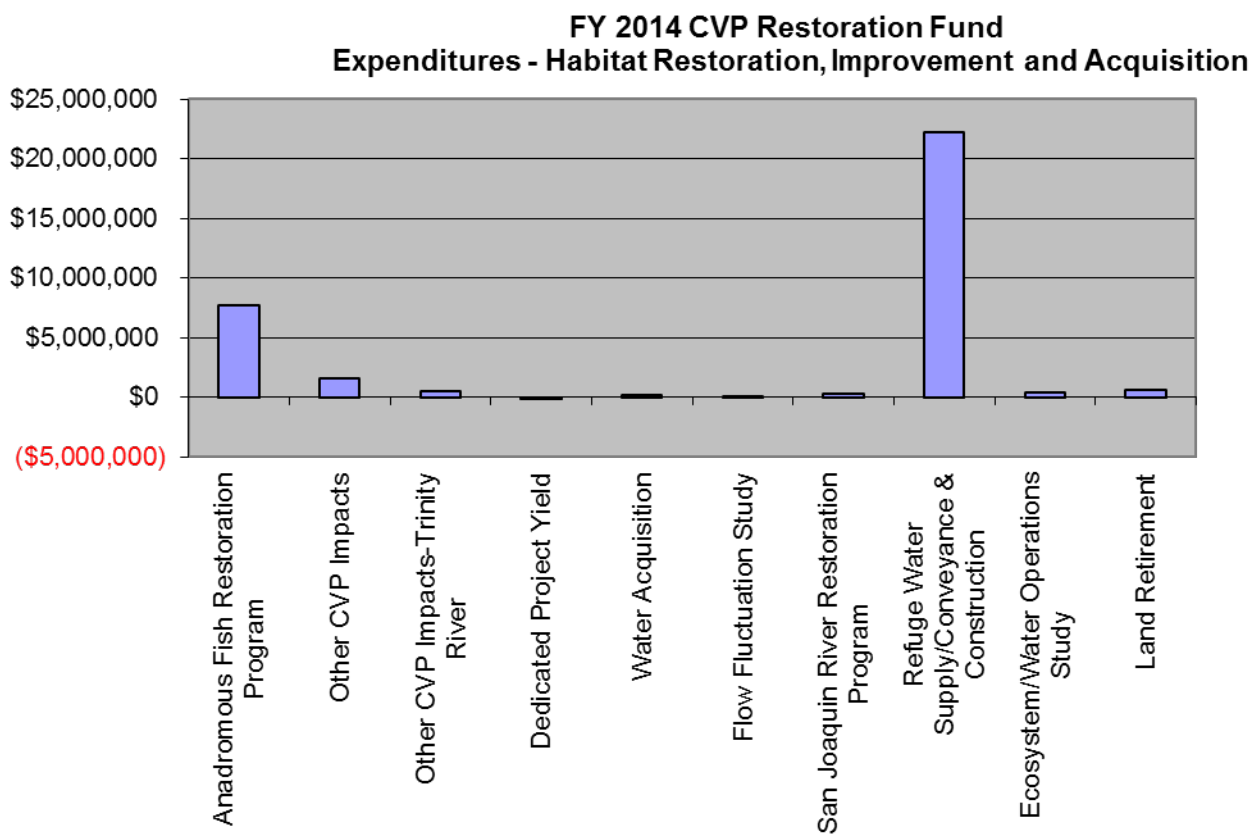
Restoration Fund Expenditures

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 2014, Reclamation spent \$33.4 million (or 75%) on habitat related activities. Reclamation projects habitat restoration spending to increase slightly to \$38.4 (or 78%) million for FY 2016.

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 2014, Reclamation spent \$8.8 million (or 20%) on fish and wildlife restoration activities, and projections for FY 2016 show spending to be \$7.6 million (or 15%). These expenditures are detailed on Schedule 4 and do not include the four other funding sources mentioned above.

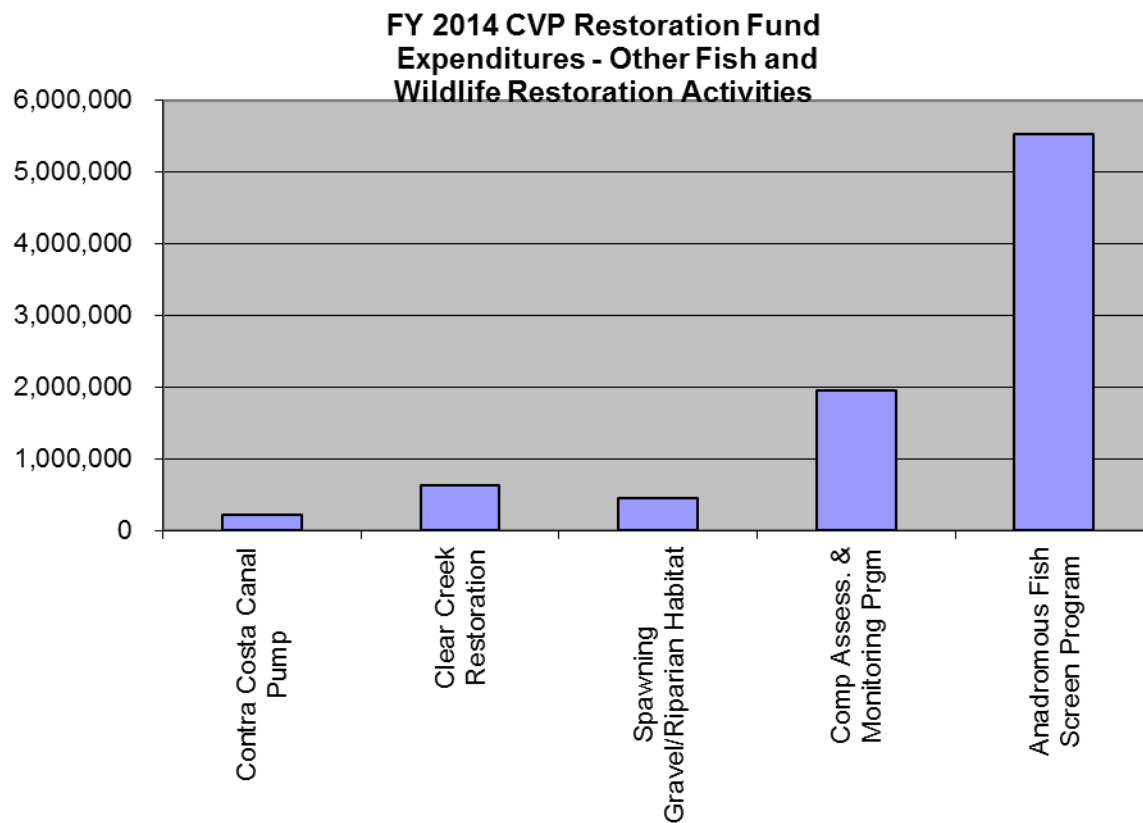
Figures 1 and 2 graphically depict the expenditures during FY 2014 for Habitat Restoration, Improvement and Acquisition (Figure 1), and Other Fish and Wildlife Restoration Activities (Figure 2).

Figure 1: Expenditures – Habitat Restoration, Improvement and Acquisition



Reclamation spent \$33.4 million on habitat related work. See Schedule 4.

Figure 2: Expenditures – Other Fish and Wildlife Restoration Activities



An additional \$8.8 million of FY 2014 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 mitigation, 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: 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. For purposes of this report, revenues are actual cash receipts (payments) received and processed.

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 (Receipts) and Expenditures (Uses)
for Fiscal Year 2014 (Actual) and Fiscal Year 2016 (Projected)**

<u>REVENUES: 1/</u>		<u>FY 2014 (Actual)</u>	<u>FY 2016 (Projected)</u>
<u>Non-Discretionary Revenues:</u>			
Pre-Renewal Charges (Subsection 3404(c)(3))		0	0
Tiered Water Charges (Subsection 3405(d))		596	300,000
Water Transfer Charges (Subsection 3405(a)(1)(B))		0	0
Friant Division Surcharges (Subsection 3406(c)(1))	4/ See Schedule 2	1,435,128	2/ 0 3/
M&I Surcharges (Subsection 3407(d)(2)(A))		0	1,000
Subtotal - Non-Discretionary Revenues		<u>1,435,723</u>	<u>301,000</u>
<u>Discretionary Revenues:</u>			
Restoration Charges (Subsection 3407(c) & (d))	See Schedule 3	44,839,481	49,528,000
<u>Contributions:</u>			
Non-Federal Contributions (Subsection 3407(a))		<u>0</u>	<u>0</u>
TOTAL REVENUES		<u><u>46,275,204</u></u>	<u><u>49,829,000</u></u>
<u>EXPENDITURES:</u>			
Expenditures (Subsections 3406, 3407, & 3408)	See Schedule 4	44,533,531	49,528,000
Expenditures of Non-Federal Contributions		<u>0</u>	<u>0</u>
TOTAL EXPENDITURES		<u><u>44,533,531</u></u>	<u><u>49,528,000</u></u>
NET INCREASE/DECREASE (Revenues less Expenditures)		<u><u>1,741,673</u></u>	<u><u>301,000</u></u>

1/ Revenues are actual receipts (cash payments) received and processed.

2/ 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).

3/ 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).

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

Note: Schedules may reflect rounding differences.

**Central Valley Project Restoration Fund
Friant Division Surcharges (Subsection 3406(c)(1))
for Fiscal Year 2014 (Actual) and Fiscal Year 2016 (Projected)**

Irrigation Reviews	FY 2014 (Actual) 1/	FY 2016 (Projected) 2/
Service Area:		
Friant-Kern Canal	\$1,148,097	\$0
Cross Valley Canal	0	0
Madera Canal	241,318	0
Friant Dam	0	0
Total Irrigation Revenues	\$1,389,415	\$0
Municipal & Industrial (M&I) Reviews:		
Service Area:		
Friant-Kern Canal	\$45,040	0
Cross Valley Canal	0	0
Madera Canal	0	0
Friant Dam	672	0
Total M&I Revenues	\$45,712	\$0
GRAND TOTAL	\$1,435,128	\$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
Mitigation and Restoration Charges (Subsection 3407(c) & (d))
for Fiscal Year 2014 (Actual) and Fiscal Year 2016 (Projected)

	<u>FY 2014</u> <u>(Actual)</u>	<u>FY 2016</u> <u>(Projected)</u>	<u>FY 2014</u> <u>(Actual)</u>	<u>FY 2016</u> <u>(Projected)</u>
	<u>Irrigation</u>		<u>Municipal & Industrial (M&I)</u>	
Service Areas:				
FOLSOM				
Folsom Dam and Reservoir	\$49,498	\$0	\$447,305	\$548,904
Folsom-South Canal	0	0	0	284,210
Sugar Pine Dam & Reservoir	0	880	23,550	39,785
Sly Park Dam & Reservoir	<u>47,951</u>	<u>24,433</u>	<u>232,385</u>	<u>260,412</u>
Subtotal Folsom	\$97,450	\$25,312	\$703,240	\$1,133,311
TRACY				
Contra Costa Canal	\$0	\$0	\$1,836,539	\$1,385,346
Delta-Mendota Canal	88,525	445,885	80,072	152,138
San Luis Canal – Tracy	119,911	338,375	3,969	9,852
New Melones Dam & Reservoir	0	0	1,210,674	481,761
San Felipe Unit	<u>127,661</u>	<u>129,005</u>	<u>1,048,118</u>	<u>1,422,397</u>
Subtotal Tracy	\$336,096	\$913,265	\$4,179,372	\$3,451,494
FRESNO				
San Luis Canal – Fresno	\$773,014	\$2,230,156	\$180,143	\$163,741
Friant Dam	0	0	1,894	2,127
Friant Kern Canal	1,441,740	2,548,540	69,295	810,814
Cross Valley Canal	176,622	157,685	0	14,077
Madera Canal	462,870	548,478	0	0
Delta-Mendota Pool	6,830	101,176	0	0
Buchanan Unit	239,760	117,278	0	0
Hidden Unit	<u>0</u>	<u>117,278</u>	<u>0</u>	<u>0</u>
Subtotal Fresno	\$3,100,836	\$5,820,590	\$251,332	\$990,128
SHASTA				
Clear Creek Unit	\$0	\$0	\$40,877	\$25,911
Shasta Dam & Reservoir	0	0	40,376	23,871
Spring Creek Conduit	0	0	15,918	88,424
Cow Creek Unit	0	0	76,883	67,953
Toyon Pipeline	0	0	0 ^{1/}	26,605
Sacramento River – Shasta	<u>44,376</u>	<u>14,782</u>	<u>87,832</u>	<u>175,734</u>
Subtotal Shasta	\$44,376	\$14,782	\$261,886	\$408,499
WILLOWS				
Corning Canal	\$0	\$0	\$116	\$0
Tehama-Colusa Canal	575,231	398,011	498	1,707
Black Butte Dam & Reservoir	4,002	0	7,024	535
Colusa Basin Drain	0	0	0	0
Feather River	14,168	73,298	0	0
Sacramento River – Willows	<u>857,700</u>	<u>779,075</u>	<u>85,503</u>	<u>0</u>
Subtotal Willows	\$1,451,100	\$1,250,383	\$93,140	\$2,242
GRAND TOTAL	<u>\$5,029,858</u>	<u>\$8,024,333</u>	<u>\$5,488,970</u>	<u>\$5,985,675</u>
Summary of Restoration Charges for Water and Power			<u>FY 2014</u>	<u>FY 2016</u>
Restoration Charges – Irrigation			\$5,029,858	\$8,024,338
Restoration Charges – M&I			5,488,970	5,985,672
Restoration Charges – Power			<u>34,320,653</u>	<u>35,517,990</u>
Grand Total			<u>\$44,839,481</u>	<u>\$49,528,000</u>

Service Areas:

1/ A WBS (work breakdown structure) does not exist in FBMS for Toyon Pipeline. All receipts (payments) have been recorded under Shasta Dam & Reservoir.

**Central Valley Project Restoration Fund
Restoration Fund Expenditures
for Fiscal Year 2014 (Actual) and Fiscal Year 2016 (Projected)**

FISH AND WILDLIFE RESTORATION ACTIVITIES	CVPIA SUBSECTION	FY 2014 (Actual)	FY 2016 (Projected)
Habitat Restoration, Improvement and Acquisition			
Anadromous Fish Restoration Program	3406(b)(1)	\$7,699,180	\$8,441,000
Other CVP Impacts	3406(b)(1) Other	1,566,163	1,500,000
Other CVP Impacts-Trinity River	3406(b)(1) Other	488,989	1,500,000
Dedicated Project Yield	3406(b)(2)	(135,080) 1/	400,000
Water Acquisition	3406(b)(3)	214,928	13,587,000
Flow Fluctuation Study	3406(b)(9)	50,963	0
San Joaquin River Restoration Program	3406(c)(1)	274,598	0
Refuge Water Supply/Conveyance & Construction	3406(d)(1)(2)(5)	22,213,456	12,400,000
Ecosystem/Water Operations Study	3406(g)	418,468	600,000
Land Retirement	3408(h)	624,001	0
Subtotal		<u>\$33,415,667</u>	<u>\$38,428,000</u>
Other Fish and Wildlife Restoration Activities			
Contra Costa Canal Pump	3406(b)(5)	224,723	0
Clear Creek Restoration	3406(b)(12)	626,955	700,000
Spawning Gravel/Riparian Habitat	3406(b)(13)	445,947	3,400,000
Comp Assess. & Monitoring Prgm	3406(b)(16)	1,961,935	1,000,000
Anadromous Fish Screen Program	3406(b)(21)	5,526,943	2,500,000
Subtotal		<u>\$8,786,502</u>	<u>\$7,600,000</u>
Other Expenses			
CVPIA Administration	3407	\$1,125,637	\$1,500,000
Interest Expense	3407	\$0	\$0
Public Law 111-11			
San Joaquin River Restoration Program		1,205,726	2,000,000
GRAND TOTAL EXPENDITURES		<u><u>\$44,533,531</u></u>	<u><u>\$49,528,000</u></u>

1/ The negative amount is the result of an accrual for FY 2013 being reversed on a reimbursable agreement.