

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, 2014 - September 30, 2015 (Actual)
October 1, 2016 - September 30, 2017 (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 23rd annual financial report, and it describes Central Valley Project Restoration Fund (CVPRF or Restoration Fund) receipts (collections/payments) and uses (expenditures) during Fiscal Year (FY) 2015 as well as projected CVPRF receipts and expenditures during FY 2017. For purposes of this report, receipts are actual cash collections/payments received and processed.

In FY 2015, the Bureau of Reclamation (Reclamation) collected approximately \$48.1 million from assessments and charges authorized by CVPIA. The majority of receipts, \$47.4 million, went into the mitigation and restoration charges fund and \$653 thousand went into the San Joaquin River Restoration Fund (SJRRF). Reclamation spent \$48.8 million on habitat restoration, improvement, and acquisition, and other fish and wildlife restoration activities. For FY 2017, the projection for receipts is \$55.9 million and \$55.6 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 receipts 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, and California Bay-Delta Restoration appropriations. These additional three 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 receipts, 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 receipts 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 receipts from any source provided by the Act and paid by those who benefit from the CVP's water and power supplies.

Restoration Fund Receipts

Public Law 102-575, Title XXXIV, Section 3407 established the Restoration Fund. Table 1 shows actual FY 2015 receipts of \$48.1 million by type of charges and projected FY 2017 receipts by type of charges totaling \$55.9 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

| Type of Charges | CVPIA Section | FY 2015 Actual Receipts | FY 2017 Projected Receipts |
|------------------------------------|----------------|----------------------------|-------------------------------|
| Pre-Renewal Charges | §3404(c)(3) | \$0 | \$0 |
| Tiered Water Charges | §3405(d) | \$1,672 | \$300,000 |
| Water Transfer Charges | §3405(a)(1)(B) | \$0 | \$0 |
| Friant Division Surcharges | §3406(c)(1) | \$653,234 | \$0 |
| M&I Surcharges | §3407(d)(2)(A) | \$0 | \$1,000 |
| Mitigation and Restoration Charges | §3407(c) & (d) | \$47,436,148 | \$55,606,000 |
| Total Receipts | | \$48,091,055 | \$55,907,000 |

As shown in Table 1, nearly all collections in FY 2015 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 2015 Actual Receipts | FY 2017 Projected Receipts |
|---|----------------------------|-------------------------------|
| Mitigation and Restoration Charges – Irrigation Water | \$3,557,692 | \$12,831,200 |
| Mitigation and Restoration Charges – Municipal & Industrial Water | \$3,488,759 | \$6,920,991 |
| Mitigation and Restoration Charges – Power | \$40,389,697 | \$35,853,809 |
| Grand Total | \$47,436,148 | \$55,606,000 |

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 2015 was a high year and FY 2017 is also 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 2015, Reclamation spent \$33.7 million (or 69%) on habitat related activities. Reclamation projects habitat restoration spending to increase slightly to \$34.4 million (or 62%) for FY 2017.

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 2015, Reclamation spent \$12.4 million (or 25%) on fish and wildlife restoration activities, and projections for FY 2017 show spending to be \$17.2 million (or 31%). These expenditures are detailed on Schedule 4 and do not include the three other funding sources mentioned above.

Figures 1 and 2 graphically depict the expenditures.

Figure 1: Expenditures – Habitat Restoration, Improvement and Acquisition

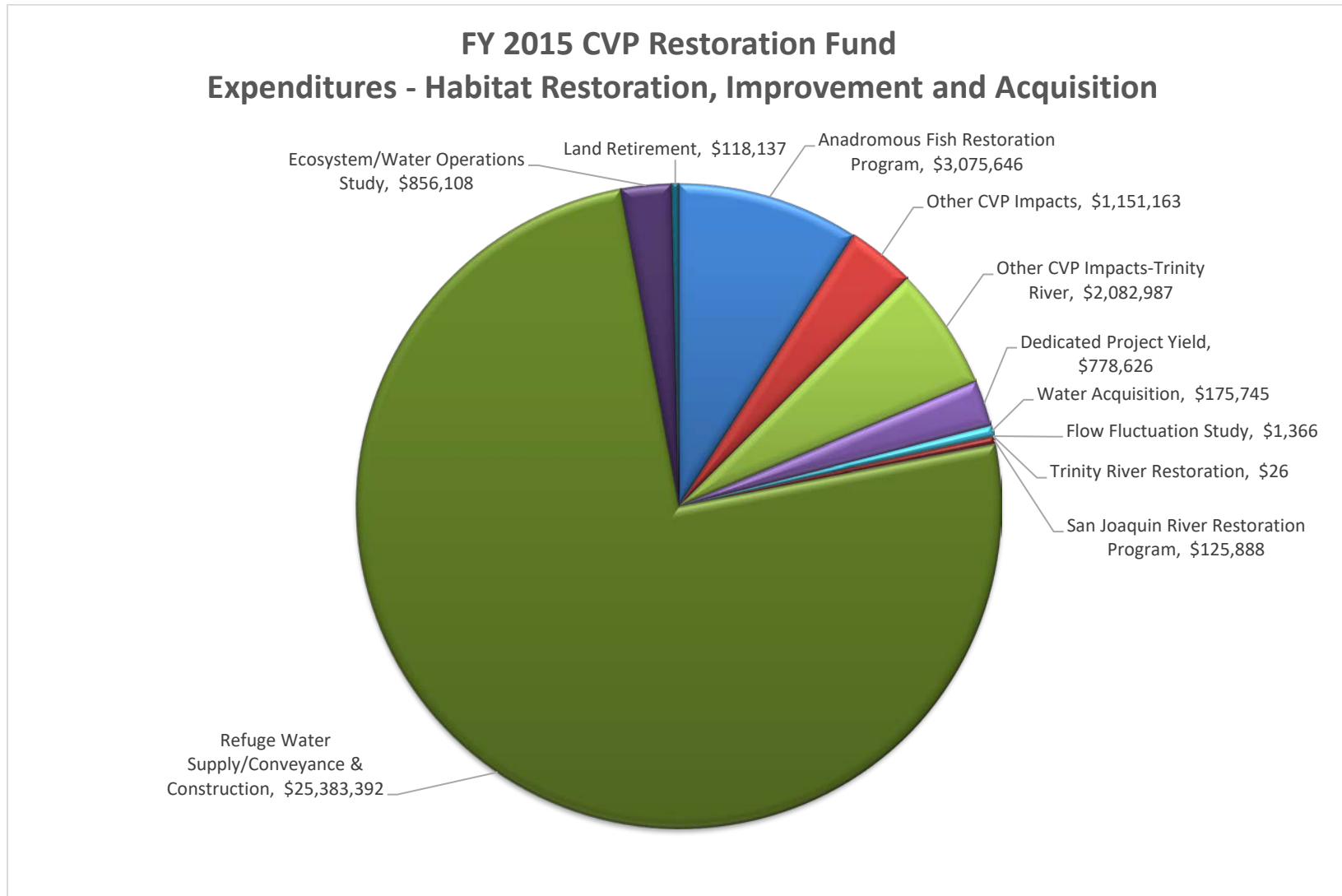
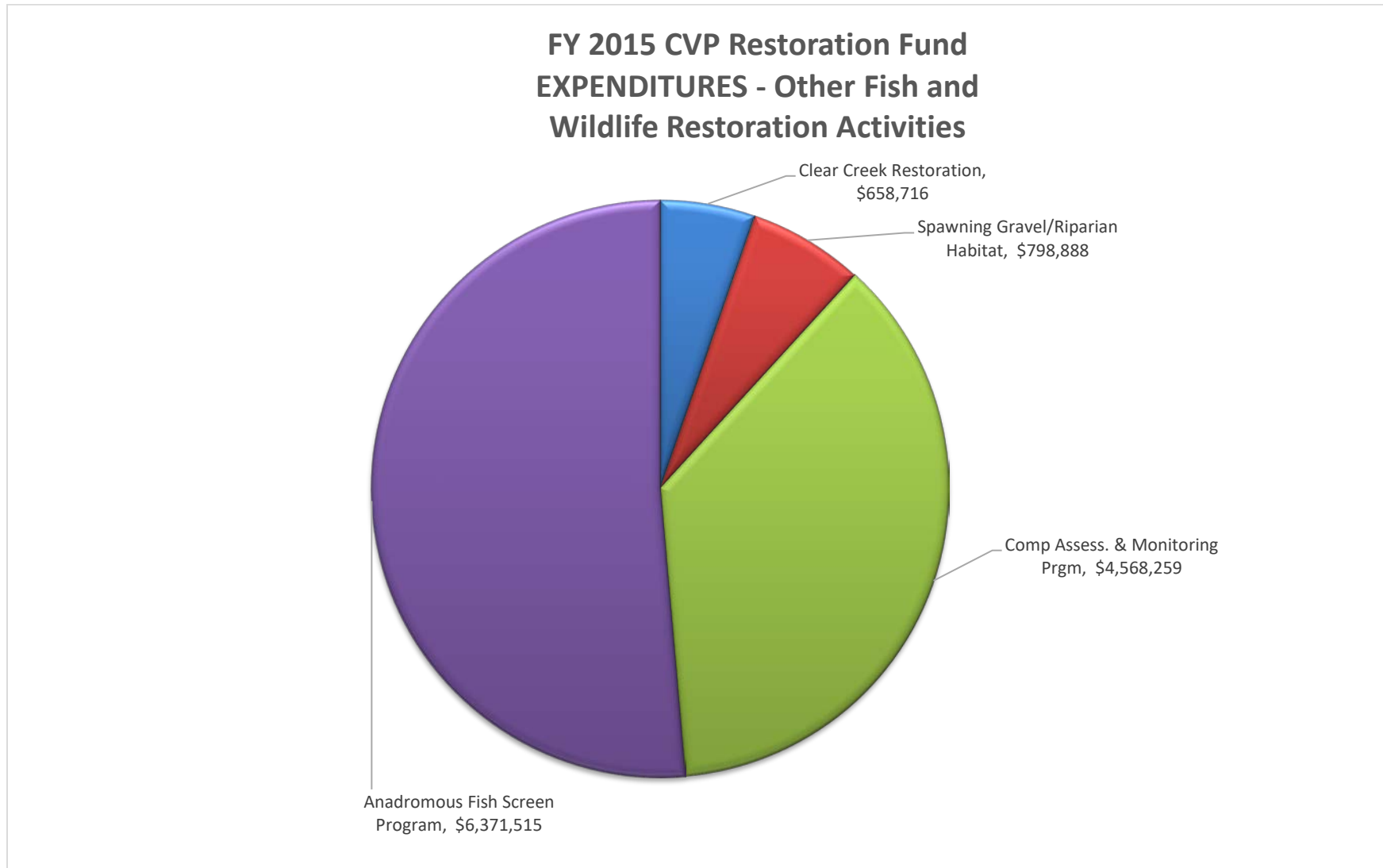


Figure 2: Expenditures – Other Fish and Wildlife Restoration Activities



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.

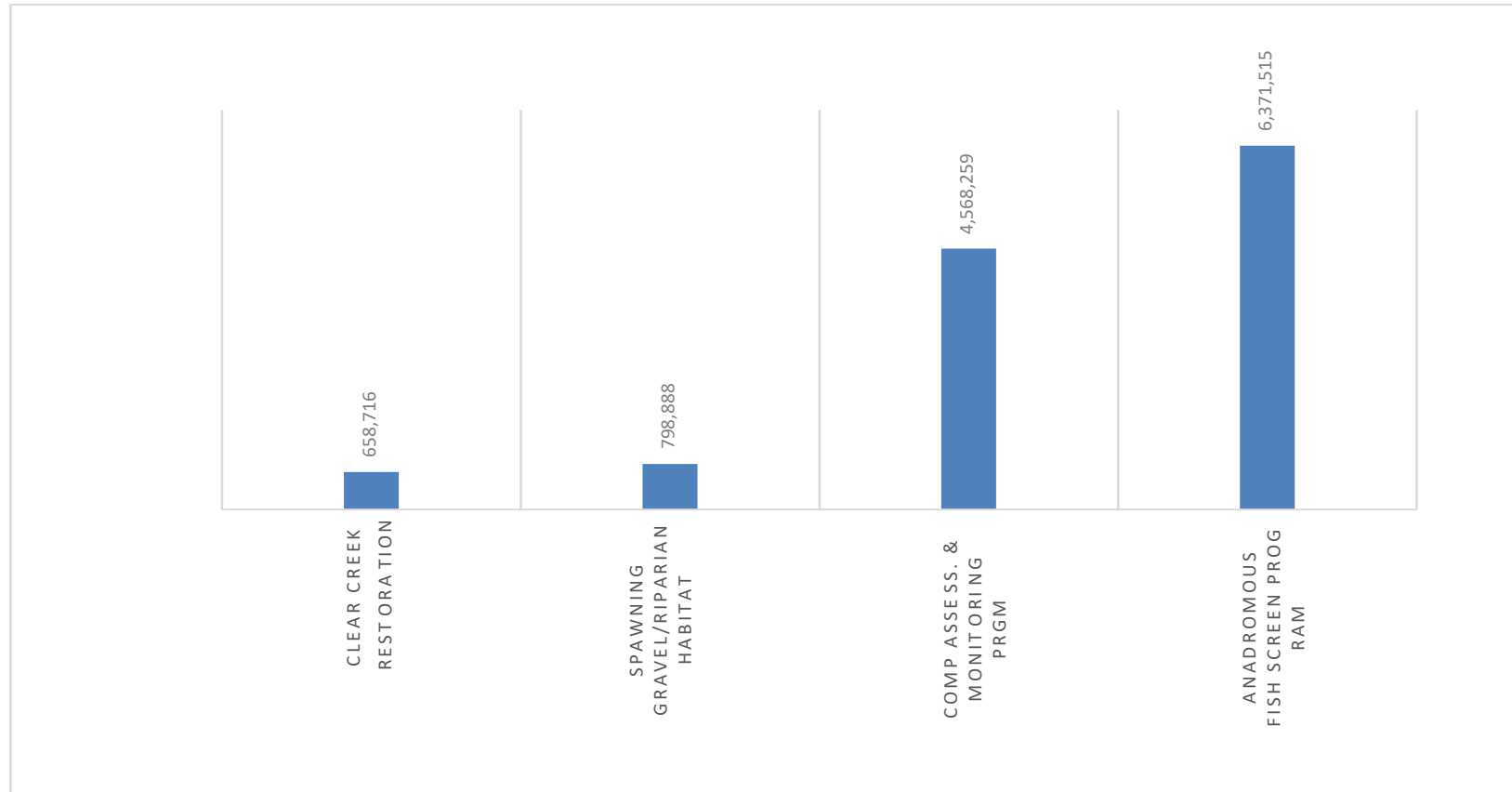
Central Valley Project Improvement Act: Public Law 102-575, Title XXXIV. This landmark piece of legislation mandates changes in the purposes and management of Reclamation's CVP and specifically focused the Secretary of the Interior on mitigation, protection, restoration and enhancement of fish, wildlife, 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 (collections/payments) received and processed.

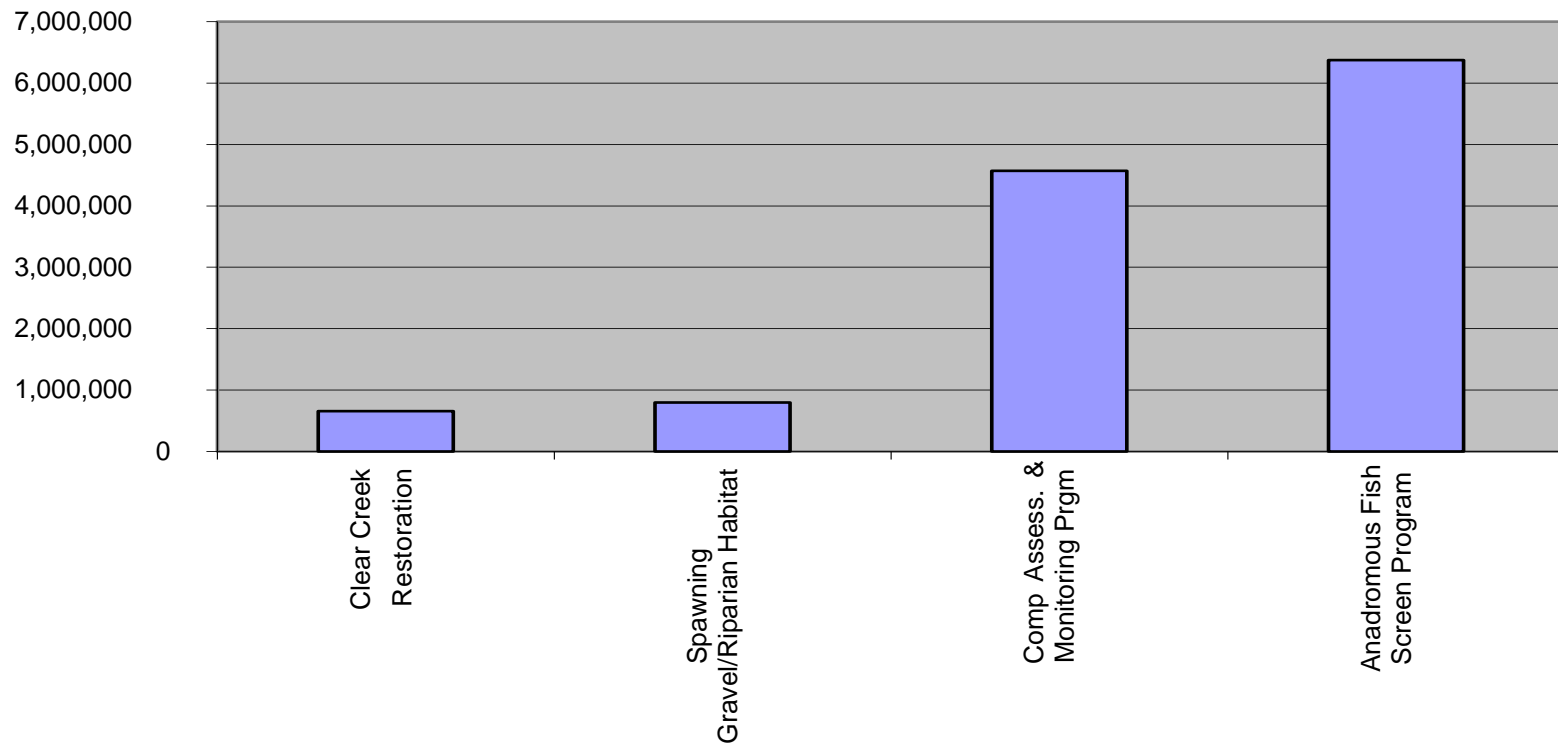
Restoration Fund: The fund established in the Treasury of the United States by Public Law 102-575, Title XXXIV, titled Central Valley Project Restoration Fund (CVPRF) (hereafter Restoration Fund).

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.

FY 2015 CVP Restoration Fund
Expenditures - Other Fish and Wildlife
Restoration Activities



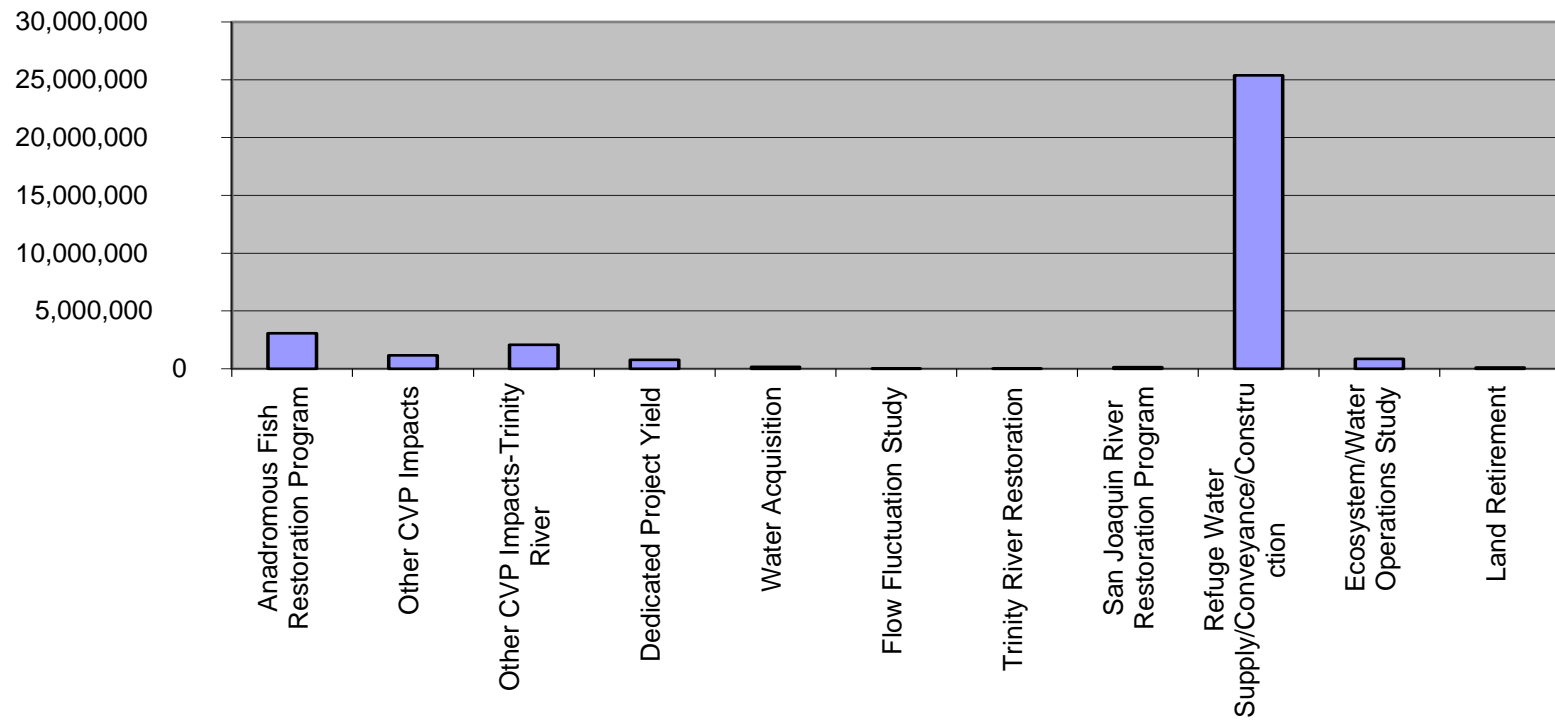
**FY 2015 CVP Restoration Fund
Expenditures - Other Fish and Wildlife
Restoration Activities**



FY 2015 CVP RESTORATION FUND EXPENDITURES - HABITAT RESTORATION, IMPROVEMENT AND ACQUISITION



**FY 2015 CVP Restoration Fund
Expenditures - Habitat Restoration, Improvement and Acquisition**



Schedule 1

Central Valley Project Restoration Fund
Receipts (Cash Collections) and Expenditures (Uses)
for Fiscal Year 2015 (Actual) and Fiscal Year 2017 (Projected)

| <u>RECEIPTS:</u> | 1/ | <u>FY 2015 (Actual)</u> | <u>FY 2017 (Projected)</u> |
|---|--------------------------|------------------------------------|---------------------------------------|
| <u>Non-Discretionary Receipts:</u> | | | |
| Pre-Renewal Charges (Subsection 3404(c)(3)) | | \$ 0 | \$ 0 |
| Tiered Water Charges (Subsection 3405(d)) | | 1,672 | 300,000 |
| Water Transfer Charges (Subsection 3405(a)(1)(B)) | | 0 | 0 |
| Friant Division Surcharges (Subsection 3406(c)(1)) | 4/ See Schedule 2 | 653,234 2/ | 0 3/ |
| M&I Surcharges (Subsection 3407(d)(2)(A)) | | 0 | 1,000 |
| Subtotal - Non-Discretionary Receipts | | \$ 654,906 | \$ 301,000 |
| <u>Discretionary Receipts:</u> | | | |
| Restoration Charges (Subsection 3407(c) & (d)) | See Schedule 3 | \$ 47,436,148 | \$ 55,606,000 |
| <u>Contributions:</u> | | | |
| Non-Federal Contributions (Subsection 3407(a)) | | \$ 0 | \$ 0 |
| TOTAL RECEIPTS | | \$ 48,091,055 | \$ 55,907,000 |
| <u>EXPENDITURES:</u> | | | |
| Expenditures (Subsections 3406, 3407, & 3408) | See Schedule 4 | \$ 48,829,894 | \$ 55,606,000 |
| Expenditures of Non-Federal Contributions | | 0 | 0 |
| TOTAL EXPENDITURES | | \$ 48,829,894 | \$ 55,606,000 |
| NET INCREASE/DECREASE (Receipts less Expenditures) | | \$ (738,839) | \$ 301,000 |

1/ Receipts are actual collections/payments (cash receipts) received and processed from water and power contractors this fiscal year.

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

4/ All Friant Surcharge receipts received beginning 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 2015 (Actual) and Fiscal Year 2017 (Projected)**

| <u>Irrigation Receipts:</u> | <u>FY 2015 (Actual)</u> ^{1/} | <u>FY 2017 (Projected)</u> ^{2/} |
|--|--|---|
| <u>Service Area:</u> | | |
| Friant-Kern Canal | \$ 537,041 | \$ 0 |
| Cross Valley Canal | 0 | 0 |
| Madera Canal | 76,538 | 0 |
| Friant Dam | <u>0</u> | <u>0</u> |
| Total Irrigation Receipts | \$ <u>613,579</u> | \$ <u>0</u> |
| <u>Municipal & Industrial (M&I) Receipts:</u> | | |
| <u>Service Area:</u> | | |
| Friant-Kern Canal | \$ 16,610 | \$ 0 |
| Cross Valley Canal | 0 | 0 |
| Madera Canal | 22,582 | 0 |
| Friant Dam | <u>463</u> | <u>0</u> |
| Total M&I Receipts | \$ <u>39,655</u> | \$ <u>0</u> |
| GRAND TOTAL | \$ <u>653,234</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 receipts for Friant Surcharge are \$0.00 due to the fact that all receipts 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 2015 (Actual) and Fiscal Year 2017 (Projected)

| Service Areas: | FY 2015 (Actual) | FY 2017 (Projected) | FY 2015 (Actual) | FY 2017 (Projected) |
|--|-----------------------------|--------------------------------|---|--------------------------------|
| | Irrigation | | Municipal & Industrial (M&I) | |
| FOLSOM | | | | |
| Folsom Dam & Reservoir | \$ 0 | \$ 0 | \$ 68,772 | \$ 644,580 |
| Folsom-South Canal | 0 | 0 | 0 | 439,534 |
| Sugar Pine Dam & Reservoir | 0 | 1,978 | 19,857 | 53,201 |
| Sly Park Dam & Reservoir | 20,448 | 54,953 | 152,119 | 381,521 |
| Subtotal Folsom | \$ 20,448 | \$ 56,931 | \$ 240,748 | \$ 1,518,836 |
| TRACY | | | | |
| Contra Costa Canal | \$ 0 | \$ 0 | \$ 1,230,395 | \$ 1,627,188 |
| Delta-Mendota Canal | 204,131 | 710,132 | 85,877 | 154,262 |
| San Luis Canal-Tracy | 125,862 | 533,382 | 6,933 | 34,591 |
| New Melones Dam & Reservoir | 0 | 59,052 | 233,008 | 506,681 |
| San Felipe Unit | 7,206 | 202,776 | 1,119,089 | 1,597,514 |
| Subtotal Tracy | \$ 337,200 | \$ 1,505,343 | \$ 2,675,302 | \$ 3,920,237 |
| FRESNO | | | | |
| San Luis Canal-Fresno | \$ 606,274 | \$ 3,482,169 | \$ 176,368 | \$ 192,901 |
| Friant Dam | 0 | 0 | 1,323 | 2,353 |
| Friant-Kern Canal | 689,508 | 4,065,261 | 112,295 | 850,432 |
| Cross Valley Canal | 6,261 | 253,112 | 0 | 4,727 |
| Madera Canal | 107,007 | 902,467 | 64,972 | 0 |
| Delta-Mendota Pool | 14,126 | 177,684 | 0 | 0 |
| Buchanan Unit | 483,400 | 211,019 | 0 | 0 |
| Hidden Unit | 0 ^{1/} | 211,019 | 0 | 0 |
| Subtotal Fresno | \$ 1,906,576 | \$ 9,302,731 | \$ 354,957 | \$ 1,050,413 |
| SHASTA | | | | |
| Clear Creek Unit | \$ 0 | \$ 0 | \$ 12,976 | \$ 30,585 |
| Shasta Dam & Reservoir | 380 | 0 | 21,199 | 27,427 |
| Spring Creek Conduit | 0 | 0 | 11,352 | 87,771 |
| Cow Creek Unit | 21,689 | 0 | 69,113 | 78,063 |
| Toyon Pipeline | 0 | 0 | 0 ^{2/} | 29,165 |
| Sacramento River - Shasta | 38,820 | 29,685 | 75,758 | 174,652 |
| Subtotal Shasta | \$ 60,889 | \$ 29,685 | \$ 190,398 | \$ 427,664 |
| WILLOWS | | | | |
| Corning Canal | \$ 0 | \$ 0 | \$ 40 | \$ 0 |
| Tehama-Colusa Canal | 407,077 | 345,323 | 2,545 | 2,798 |
| Black Butte Dam & Reservoir | 3,521 | 22 | 6,936 | 1,039 |
| Colusa Basin Drain | 0 | 41,028 | 0 | 0 |
| Feather River | (4,063) ^{3/} | 40,576 | 0 | 0 |
| Sacramento River - Willows | 826,045 | 1,509,563 | 17,833 | 0 |
| Subtotal Willows | \$ 1,232,580 | \$ 1,936,512 | \$ 27,354 | \$ 3,836 |
| GRAND TOTAL | \$ 3,557,692 | \$ 12,831,200 | \$ 3,488,759 | \$ 6,920,991 |
| Summary of Restoration Charges for Water and Power: | | | FY 2015 | FY 2017 |
| Restoration Charges - Irrigation | | | \$ 3,557,692 | \$ 12,831,200 |
| Restoration Charges - M&I | | | 3,488,759 | 6,920,991 |
| Restoration Charges - Power | | | 40,389,697 | 35,853,809 |
| Grand Total | | | \$ 47,436,148 | \$ 55,606,000 |

^{1/} A WBS (work breakdown structure) does exist in FBMS for Hidden Unit. However, all receipts (payments) have been recorded under Buchanan Unit.

^{2/} A WBS (work breakdown structure) does exist in FBMS for Toyon Pipeline. However, all receipts (payments) have been recorded under Shasta Dam & Reservoir.

^{3/} This credit is due to an accounting adjustment related to a cash Statement of Differences (SOD) issue. The accounting adjustment still needs to be reversed as cash was inadvertently reduced.

**Central Valley Project Restoration Fund
Restoration Fund Expenditures
for Fiscal Year 2015 (Actual) and Fiscal Year 2017 (Projected)**

| FISH AND WILDLIFE RESTORATION ACTIVITIES | CVPIA SUBSECTION | FY 2015 (Actual) | FY 2017 (Projected) |
|---|-----------------------------|-----------------------------|--------------------------------|
| Habitat Restoration, Improvement and Acquisition | | | |
| Anadromous Fish Restoration Program | 3406(b)(1) | \$ 3,075,646 | \$ 4,900,000 |
| Other CVP Impacts | 3406(b)(1) Other | 1,151,163 | 1,500,000 |
| Other CVP Impacts-Trinity River | 3406(b)(1) Other | 2,082,987 | 1,500,000 |
| Dedicated Project Yield | 3406(b)(2) | 778,626 | 500,000 |
| Water Acquisition | 3406(b)(3) | 175,745 | 2,300,000 |
| Flow Fluctuation Study | 3406(b)(9) | 1,366 | 0 |
| Trinity River Restoration | 3406(b)(23) | 26 | 0 |
| San Joaquin River Restoration Program | 3406(c)(1) | 125,888 | 0 |
| Refuge Water Supply/Conveyance/Construction | 3406(d)(1)(2)(5) | 25,383,392 | 23,106,000 |
| Ecosystem/Water Operations Study | 3406(g) | 856,108 | 600,000 |
| Land Retirement | 3408(h) | 118,137 | 0 |
| Subtotal | | \$ 33,749,083 | \$ 34,406,000 |
| Other Fish and Wildlife Restoration Activities | | | |
| Contra Costa Canal Pump | 3406(b)(5) | \$ 0 | \$ 0 |
| Clear Creek Restoration | 3406(b)(12) | 658,716 | 3,700,000 |
| Spawning Gravel/Riparian Habitat | 3406(b)(13) | 798,888 | 5,000,000 |
| Comp Assess. & Monitoring Prgm | 3406(b)(16) | 4,568,259 | 6,000,000 |
| Anadromous Fish Screen Program | 3406(b)(21) | 6,371,515 | 2,500,000 |
| Subtotal | | \$ 12,397,378 | \$ 17,200,000 |
| Other Expenses | | | |
| CVPIA Administration | 3407 | \$ 1,702,216 | \$ 2,000,000 |
| Interest Expense | 3407 | \$ 0 | \$ 0 |
| Public Law 111-11 | | | |
| San Joaquin River Restoration Program | | \$ 981,217 | \$ 2,000,000 |
| GRAND TOTAL EXPENDITURES | | <u>\$ 48,829,894</u> | <u>\$ 55,606,000</u> |