

# **ANNUAL FINANCIAL REPORT**

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

### **Revenues and Expenditures for the Periods:**

**October 1, 2006 - September 30, 2007 (Actual)**

**October 1, 2008 - September 30, 2009 (Projected)**

**September 2008**

**Bureau of Reclamation  
United States Department of the Interior**

**TABLE OF CONTENTS**

	<u>Page</u>
Executive Summary .....	1
Restoration Fund Revenues and Expenditures for Fiscal Year 2007 (Actual) and Fiscal Year 2009 (Projected) (Schedule 1) .....	6
Friant Division Surcharges (Subsection 3406(c)(1)) for Fiscal Year 2007 (Actual) and Fiscal Year 2009 (Projected) (Schedule 2) .....	7
Restoration Charges (Subsection 3407(c) & (d)) for Fiscal Year 2007 (Actual) and Fiscal Year 2009 (Projected) (Schedule 3) .....	8
Restoration Fund Expenditures for Fiscal Year 2007 (Actual) and Fiscal Year 2009 (Projected) (Schedule 4) .....	9

# 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 fifteenth annual financial report which describes all actual Restoration Fund revenues (receipts) and expenditures (uses) during Fiscal Year (FY) 2007 as well as projected Restoration Fund revenues and expenditures during FY2009. For purposes of this report, revenues are actual receipts processed.

In FY 2007, the Bureau of Reclamation (Reclamation) collected approximately \$40.1 million into the Restoration Fund and spent \$55.5 million on habitat restoration, improvement, and acquisition, and other fish and wildlife restoration activities. For FY2009, the projection for receipts is approximately \$56.1 million into the Restoration Fund and \$48.6 million for expenditures. Schedule 1 provides an overall view of revenues and expenditures. Schedule 2 and 3 details Restoration Fund receipts for Friant Division surcharges and restoration charges, respectively. Finally, schedule 4 details Restoration Fund expenditures.

This report does not include water and related resources appropriations, State of California cost share funding and CALFED Bay-Delta funding. These three funding sources are in addition to the Restoration Fund and with the Restoration Fund compose 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 include pending legislation – namely, House Resolution 24, San Joaquin River Restoration Settlement Act, which if passed will divert approximately \$7.5 million in projected revenues to the San Joaquin River Restoration. Additional challenges facing the Restoration Fund include consecutive drought-years, which would shift the burden of Restoration Fund revenues from water contractors 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, enhancement, and mitigation as project purposes having equal priority with power generation, irrigation, and domestic water uses. Congress directed the Secretary of

the Interior, through Reclamation and the U.S. Fish and Wildlife Service (F&W 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 Restoration Fund, derived from charges 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 Central Valley Project Restoration Fund (CVPRF). Table 1 below shows actual FY2007 Restoration Fund receipts of \$40.1 million by revenue type and projected FY2009 receipts by revenue type totaling \$56.1 million. Restoration Fund receipts are calculated by applying the applicable charge to CVP project water sold and delivered.

Table 1: Restoration Fund Receipts

Description of Revenue	CVPIA Section	FY2007 Actual Receipts	FY2009 Projected Receipts
Pre-Renewal Charges	§3404(c)(3)	\$0	\$0
Tiered Water Charges	§3405(d)	\$690,760	\$300,000
Water Transfer Charges	§3405(a)(1)(B)	\$0	\$0
Friant Division Surcharges	§3406(c)(1)	\$6,529,319	\$7,500,000
M&I Surcharges	§3407(d)(2)(A)	\$0	\$1,000
Restoration Charges	§3407(c) & (d)	\$32,862,000	\$48,278,000
Total Receipts		\$40,082,078	\$56,079,000

As shown in Table 1, nearly all collections in FY2007 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.

Total restoration charge receipts shown in Table 2 below, detail receipts by project beneficiaries. As seen in the table, receipts from beneficiaries can change drastically after drought years.

Table 2: Restoration Fund Charges by Beneficiary

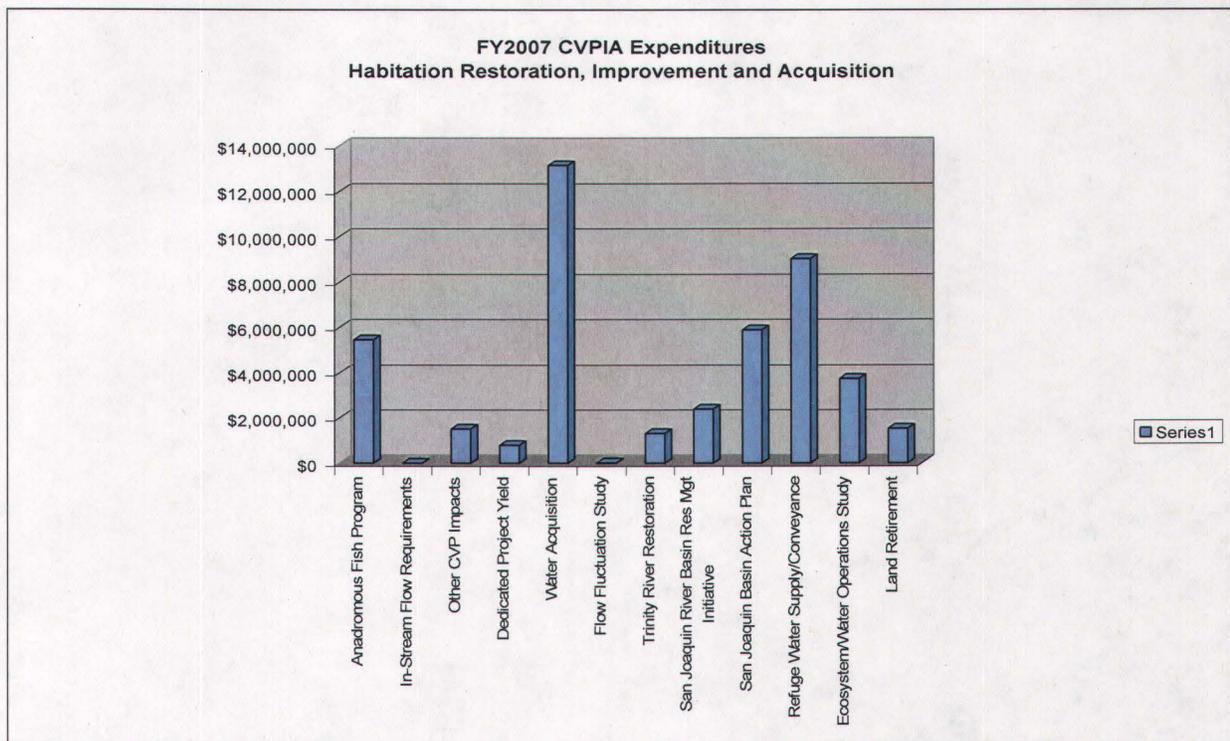
Payment by Beneficiary	FY2007 Actual Receipts	FY2009 Projected Receipts
Restoration Charges - Irrigation	\$21,700,282	\$14,328,241
Restoration Charges - M&I	5,794,884	5,935,574
Restoration Charges - Power	5,366,834	28,014,185
Grand Total	\$32,862,000	\$48,278,000

## Restoration Fund Expenditures

CVPIA Section 3407(a) states that not less than 67 percent of all funds made available to the 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 2007, Reclamation spent \$44.8 million (or 80%) on habitat related activities; we project habitat restoration spending to remain steady at \$43.9 for FY 2009. 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 fish and wildlife restoration activities. In FY 2007, Reclamation spent \$10.7 million (or 20%) on fish and wildlife restoration, and projections for FY 2009 show spending to be \$4.7 million. These expenditures are detailed on Schedule 4 and do not include the three other funding sources mentioned above.

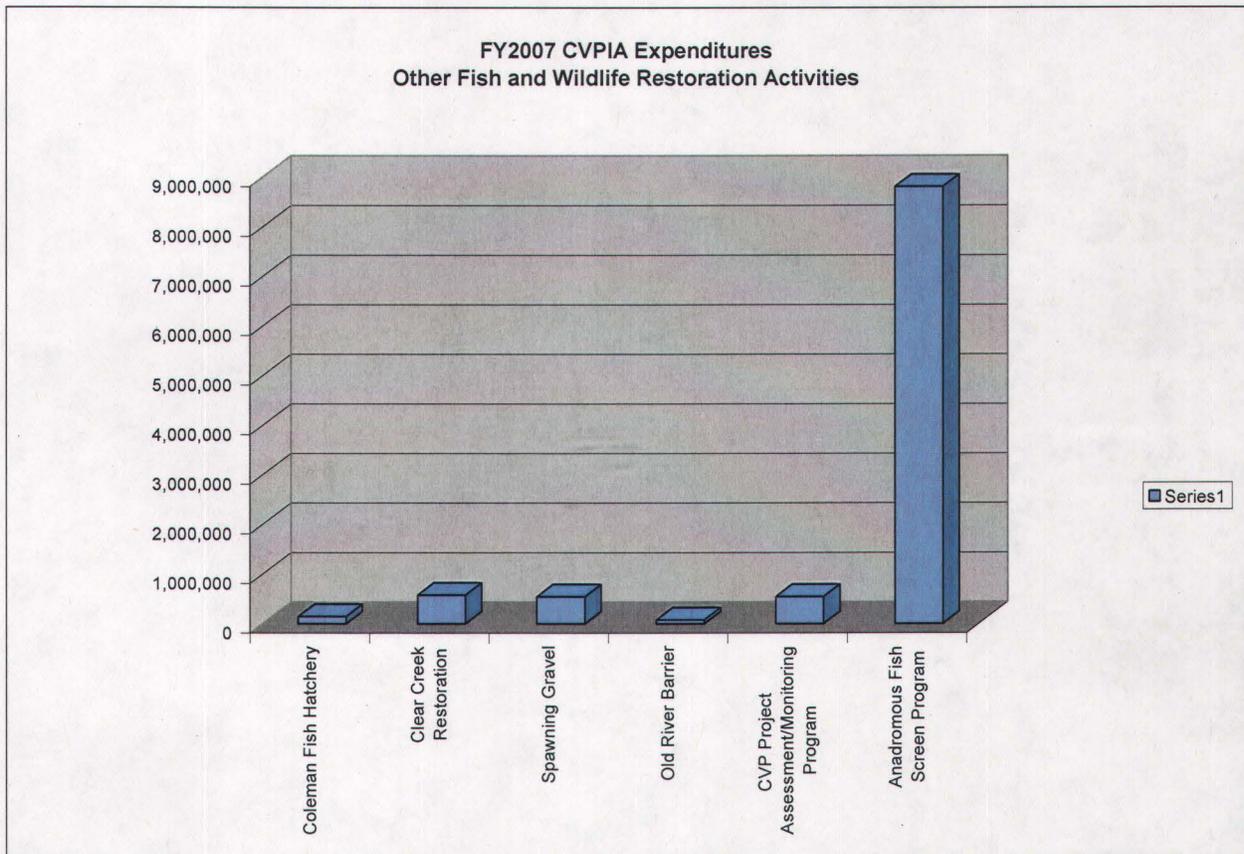
Chart 1 and 2 below graphically depict the expenditures during FY2007 for Habitation Restoration, Improvement and Acquisition and Other Fish and Wildlife Restoration Activities. Reclamation spent \$44.8 million on habitat related work, of which nearly 29 percent was used for water acquisition.

Chart 1



The remaining \$10.7 million of FY 2007 expenditures were used for fish and wildlife restoration activities, with the anadromous fish screen program accounting for nearly 82 percent of total fish and wildlife restoration. For specific uses, you may refer to Chart 2 below.

Chart 2



## **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 34. This landmark piece of legislation mandates changes in the purposes and management of Reclamation's CVP and specifically focused the Secretary of the Department of the Interior on protection, restoration and enhancement of fish and wildlife associated with the CVP. The Secretary, in turn, assigned primary responsibility for implementing CVPIA's many provision to Reclamation and the U.S. Fish and Wildlife Service.

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

**Outlays:** Outlays are disbursement by the Federal Treasury in the form of checks or cash. Outlays flow in part from budget authority granted in prior years and in part from budget authority provided for the year in which the disbursements occur.

**Receipts:** See offsetting collections above.

**Restoration Fund:** The fund established in the Treasury of the United States by Public Law 102-575, Title 34, titled Central Valley Project Restoration Fund (CVPRF) (hereafter Restoration Fund).

**Uses:** See outlays above.

**Central Valley Project Improvement Act  
Restoration Fund Revenues and Expenditures  
for Fiscal Year 2007 (Actual) and Fiscal Year 2009 (Projected)**

<b><u>REVENUES:</u></b>		<b><u>FY2007 (Actual)</u></b>	<b><u>FY2009 (Projected)</u></b>
<b><u>Non-Discretionary Revenues:</u></b>			
Pre-Renewal Charges (Subsection 3404(c)(3))		\$0	\$0
Tiered Water Charges (Subsection 3405(d))		690,760	300,000
Water Transfer Charges (Subsection 3405(a)(1)(B))		0	0
Friant Division Surcharges (Subsection 3406(c)(1))	See Schedule 2	6,529,319	7,500,000
M&I Surcharges (Subsection 3407(d)(2)(A))		0	1,000
Subtotal - Non-Discretionary Revenues		<u>7,220,078</u>	<u>7,801,000</u>
<b><u>Discretionary Revenues:</u></b>			
Restoration Charges (Subsection 3407(c) & (d))	See Schedule 3	32,862,000	48,278,000
<b><u>Contributions:</u></b>			
Non-Federal Contributions (Subsection 3407(a))		<u>0</u>	<u>0</u>
<b>TOTAL REVENUES</b>		<b><u>\$40,082,078</u></b>	<b><u>\$56,079,000</u></b>
<b><u>EXPENDITURES:</u></b>			
Expenditures (Subsections 3406 & 3408)	See Schedule 4	\$55,501,987	\$48,579,000
Expenditures of Non-Federal Contributions		<u>0</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>		<b><u>\$55,501,987</u></b>	<b><u>\$48,579,000</u></b>
<b>NET INCREASE/DECREASE (Revenues less Expenditures)</b>		<b><u>(\$15,419,909)</u></b>	<b><u>\$7,500,000</u></b>

**Central Valley Project Improvement Act  
Friant Division Surcharges (Subsection 3406(c)(1))  
for Fiscal Year 2007 (Actual) and Fiscal Year 2009 (Projected)**

<u>Irrigation Revenues:</u>	<u>FY2007 (Actual)</u>	<u>FY2009 (Projected)</u>
<u>Service Area:</u>		
Friant-Kern Canal	\$4,439,280	\$6,126,082
Cross Valley Canal	0	0
Madera Canal	1,491,007	926,100
Friant Dam	64,715	0
Mendota Pool	0	0
<b>Total Irrigation Revenues</b>	<u><u>\$5,995,002</u></u>	<u><u>\$7,052,182</u></u>
 <u>Municipal &amp; Industrial (M&amp;I) Revenues:</u>		
<u>Service Area:</u>		
Friant-Kern Canal	\$532,987	\$445,501
Cross Valley Canal	0	0
Madera Canal	0	0
Friant Dam	1,330	2,317
Mendota Pool	0	0
<b>Total M&amp;I Revenues</b>	<u><u>\$534,317</u></u>	<u><u>\$447,818</u></u>
 <b>GRAND TOTAL</b>	 <u><u>\$6,529,319</u></u>	 <u><u>\$7,500,000</u></u>

Note: Project water delivered from the Friant Division is subject to a \$7.00 per acre-foot surcharge.

**Central Valley Project Improvement Act  
Restoration Charges (Subsection 3407(c) & (d))  
for Fiscal Year 2007 (Actual) and Fiscal Year 2009 (Projected)**

<u>Service Areas:</u>	<u>FY2007</u>	<u>FY2009</u>	<u>FY2007</u>	<u>FY2009</u>
	<u>(Actual)</u>	<u>(Projected)</u>	<u>(Actual)</u>	<u>(Projected)</u>
	<u>Irrigation</u>		<u>Municipal &amp; Industrial (M&amp;I)</u>	
<b>FOLSOM</b>				
Folsom Dam & Reservoir	\$0	\$25,884	\$562,628	\$1,300,147
Folsom-South Canal	112,446	0	69,733	49,730
Sugar Pine Dam & Reservoir	0	0	20,987	22,206
Sly Park Dam & Reservoir	32,050	0	318,547	0
Subtotal Folsom	<u>\$144,496</u>	<u>\$25,884</u>	<u>\$971,895</u>	<u>\$1,372,083</u>
<b>TRACY</b>				
Contra Costa Canal	\$0	\$0	\$1,726,776	\$1,680,612
Delta-Mendota Canal	1,562,932	864,039	103,814	173,983
San Luis Canal-Tracy	832,993	750,880	119,362	1,833
New Melones Dam & Reservoir	0	0	53,488	83,075
San Felipe Unit	560,746	150,318	935,423	967,541
Subtotal Tracy	<u>\$2,956,671</u>	<u>\$1,765,237</u>	<u>\$2,938,863</u>	<u>\$2,907,044</u>
<b>FRESNO</b>				
San Luis Canal-Fresno	\$9,206,795	\$4,102,529	\$239,578	\$244,787
Friant Dam	78,823	0	3,237	2,443
Friant-Kern Canal	5,217,214	4,586,878	1,129,150	973,344
Cross Valley Canal	580,133	669,464	0	0
Madera Canal	1,798,074	1,196,794	0	0
Delta-Mendota Pool	244,884	230,719	0	0
Buchanan Unit	205,920	215,626	0	0
Hidden Unit	304,800	215,626	0	0
Subtotal Fresno	<u>\$17,636,643</u>	<u>\$11,217,636</u>	<u>\$1,371,965</u>	<u>\$1,220,574</u>
<b>SHASTA</b>				
Clear Creek Unit	\$0	\$0	\$33,918	\$38,034
Shasta Dam & Reservoir	0	0	44,734	41,933
Spring Creek Conduit	0	0	94,595	100,430
Cow Creek Unit	0	0	41,543	62,108
Toyon Pipeline	0	0	53,481	65,145
Sacramento River - Shasta	13,730	32,002	100,307	114,677
Subtotal Shasta	<u>\$13,730</u>	<u>\$32,002</u>	<u>\$368,578</u>	<u>\$422,327</u>
<b>WILLOWS</b>				
Corning Canal	\$0	\$0	\$120	\$162
Tehama-Colusa Canal	925	7,232	6,174	7,186
Black Butte Dam & Reservoir	8	0	1,420	1,132
Colusa Basin Drain	0	0	0	0
Feather River	9,929	96,052	0	0
Sacramento River - Willows	937,879	1,184,198	135,868	5,066
Subtotal Willows	<u>\$948,742</u>	<u>\$1,287,482</u>	<u>\$143,582</u>	<u>\$13,546</u>
<b>GRAND TOTAL</b>	<u><b>\$21,700,282</b></u>	<u><b>\$14,328,241</b></u>	<u><b>\$5,794,884</b></u>	<u><b>\$5,935,574</b></u>
Summary of Restoration Charges for Water and Power:			<b>FY2007</b>	<b>FY2009</b>
Restoration Charges - Irrigation			\$21,700,282	\$14,328,241
Restoration Charges - M&I			5,794,884	5,935,574
Restoration Charges - Power			5,366,834	28,014,185
Grand Total			<u>\$32,862,000</u>	<u>\$48,278,000</u>

**Central Valley Project Improvement Act  
Restoration Fund Expenditures  
for Fiscal Year 2007 (Actual) and Fiscal Year 2009 (Projected)**

<b>FISH AND WILDLIFE RESTORATION ACTIVITIES</b>	<b>CVPIA SUBSECTION</b>	<b>FY2007 (Actual)</b>	<b>FY2009 (Projected)</b>
Habituation Restoration, Improvement and Acquisition			
Anadromous Fish Program	3406(b)(1)	\$5,456,964	\$5,436,000
In-Stream Flow Requirements	3406(b)(1)(B)	0	300,000
Other CVP Impacts	3406(b)(1) Other	2,679,329	1,500,000
Dedicated Project Yield	3406(b)(2)	788,673	800,000
Water Acquisition	3406(b)(3)	13,140,124	12,790,000
Flow Fluctuation Study	3406(b)(9)	10,978	50,000
Trinity River Restoration	3406(b)(23)	137,491	1,000,000
San Joaquin River Basin Res Mgt Initiative	3406(c)(1)	2,379,278	2,000,000
San Joaquin Basin Action Plan	3406(d)	5,923,100	1,000,000
Refuge Water Supply/Conveyance	3406(d)(1)(2)(5)	9,001,630	13,594,000
Ecosystem/Water Operations Study	3406(g)	3,739,043	4,909,000
Land Retirement	3408(h)	1,518,922	500,000
Subtotal		\$44,775,533	\$43,879,000
Other Fish and Wildlife Restoration Activities			
Tracy Pumping Plant & Fish Test Facility	3406(b)(4)	\$0	\$0
Coleman Fish Hatchery	3406(b)(11)	151,051	0
Clear Creek Restoration	3406(b)(12)	582,752	700,000
Spawning Gravel	3406(b)(13)	545,660	1,000,000
Old River Barrier	3406(b)(15)	79,974	0
CVP Project Assessment/Monitoring Program	3406(b)(16)	550,426	500,000
Anadromous Fish Screen Program	3406(b)(21)	8,816,592	2,500,000
Subtotal		\$10,726,454	\$4,700,000
<b>GRAND TOTAL EXPENDITURES</b>		<b>\$55,501,987</b>	<b>\$48,579,000</b>