

ANNUAL FINANCIAL REPORT

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

Revenues and Expenditures for the Periods:

October 1, 2007 - September 30, 2008 (Actual)

October 1, 2009 - September 30, 2010 (Projected)

September 2009

**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 sixteenth annual financial report which describes Central Valley Project Restoration Fund (CVPRF) revenues (receipts) and expenditures (uses) during Fiscal Year (FY) 2008 as well as projected CVPRF revenues and expenditures during FY 2010. For purposes of this report, revenues are actual receipts (payments) processed.

In FY 2008, the Bureau of Reclamation (Reclamation) collected approximately \$52.9 million into the CVPRF and spent \$45.6 million on habitat restoration, improvement, and acquisition, and other fish and wildlife restoration activities. For FY 2010, the projection for revenues is \$35.3 million and \$35.3 million for expenditures. Schedule 1 provides an overall view of Central Valley Project Restoration Fund revenues and expenditures. Schedule 2 and 3 detail 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 and CALFED Bay-Delta funding. These three funding sources are in addition to the Central Valley Project Restoration Fund and with the CVPRF 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 the San Joaquin River Restoration Settlement Act, Title X of Public Law 111-11. This legislation diverts approximately \$5.1 million in projected FY 2010 revenues to the San Joaquin River Restoration Fund (SJRRF). Another challenge facing the Central Valley Project Restoration Fund includes consecutive drought-years, which shifts the burden of revenues (payments) 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, 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 (CVPRF) which collects 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 FY 2008 receipts of \$52.9 million by revenue type and projected FY 2010 receipts by revenue type totaling \$35.3 million. Central Valley Project 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	FY 2008 Actual Receipts	FY 2010 Projected Receipts
Pre-Renewal Charges	§3404(c)(3)	\$0	\$0
Tiered Water Charges	§3405(d)	\$204,101	\$300,000
Water Transfer Charges	§3405(a)(1)(B)	\$0	\$0
Friant Division Surcharges	§3406(c)(1)	\$5,807,113	\$0
M&I Surcharges	§3407(d)(2)(A)	\$1,520	\$1,000
Restoration Charges	§3407(c) & (d)	\$46,913,864	\$35,057,000
Total Receipts		\$52,926,599	\$35,358,000

As shown in Table 1, nearly all collections in FY 2008 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 CVPRF receipts will no longer include the Friant Division Surcharge. This surcharge will now be deposited into the San Joaquin River Restoration Fund (SJRRF).

Table 2: Restoration Fund Charges by Beneficiary

Payment by Beneficiary	FY 2008 Actual Receipts	FY 2010 Projected Receipts
Restoration Charges - Irrigation	\$12,204,419	\$12,510,620
Restoration Charges - M&I	7,698,357	6,661,981
Restoration Charges - Power	27,011,088	15,884,399
Grand Total	\$46,913,864	\$35,057,000

Table 2 above depicts receipts for restoration charges by project beneficiaries. As seen in the table, receipts from beneficiaries can change drastically after drought years. Also, the restoration

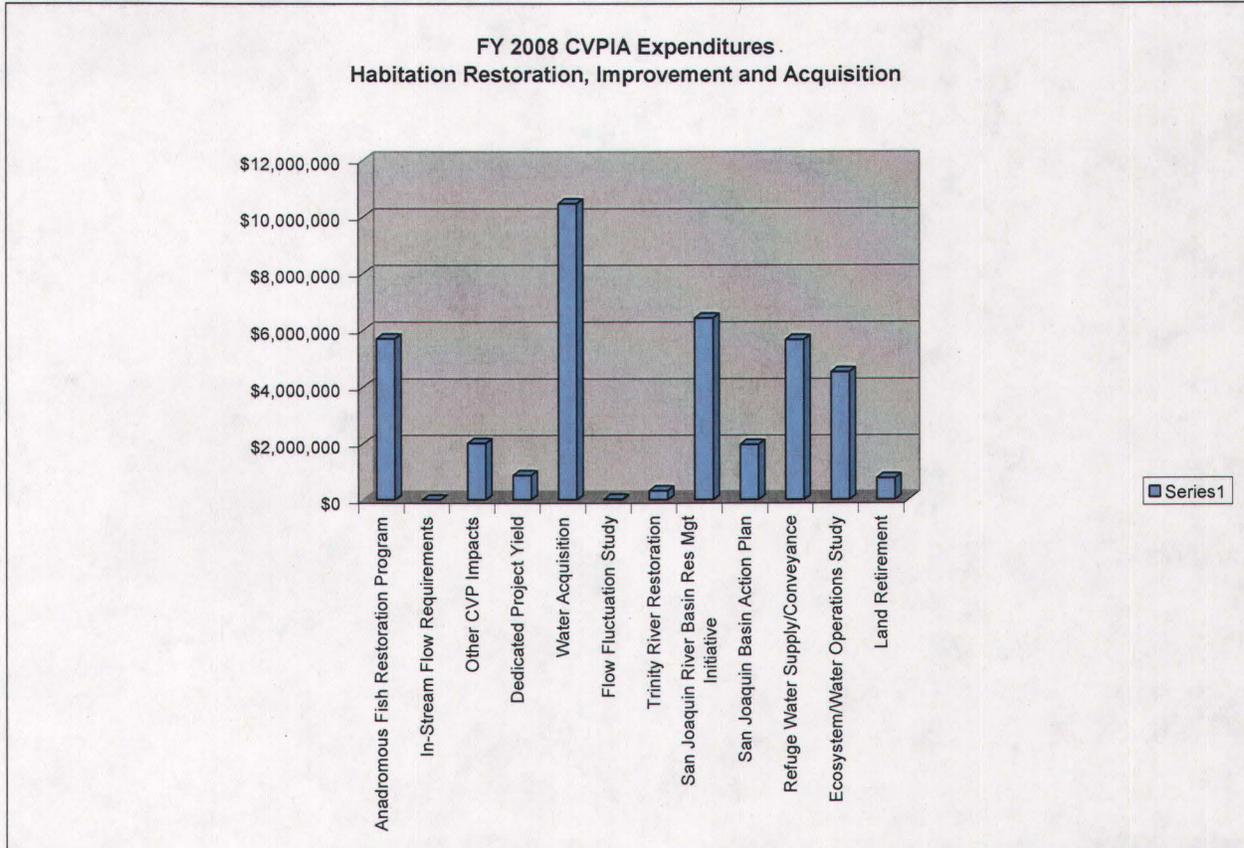
charges are limited to \$30.0 million (1992 dollars) on a three-year rolling average which generates peaks and valleys in the receipts.

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 2008, Reclamation spent \$38.8 million (or 85%) on habitat related activities; we project habitat restoration spending to drop slightly to \$32.0 for FY 2010. 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 2008, Reclamation spent \$6.8 million (or 15%) on fish and wildlife restoration, and projections for FY 2010 show spending to be \$3.4 million. These expenditures are detailed on Schedule 4 and do not include the three other funding sources mentioned above.

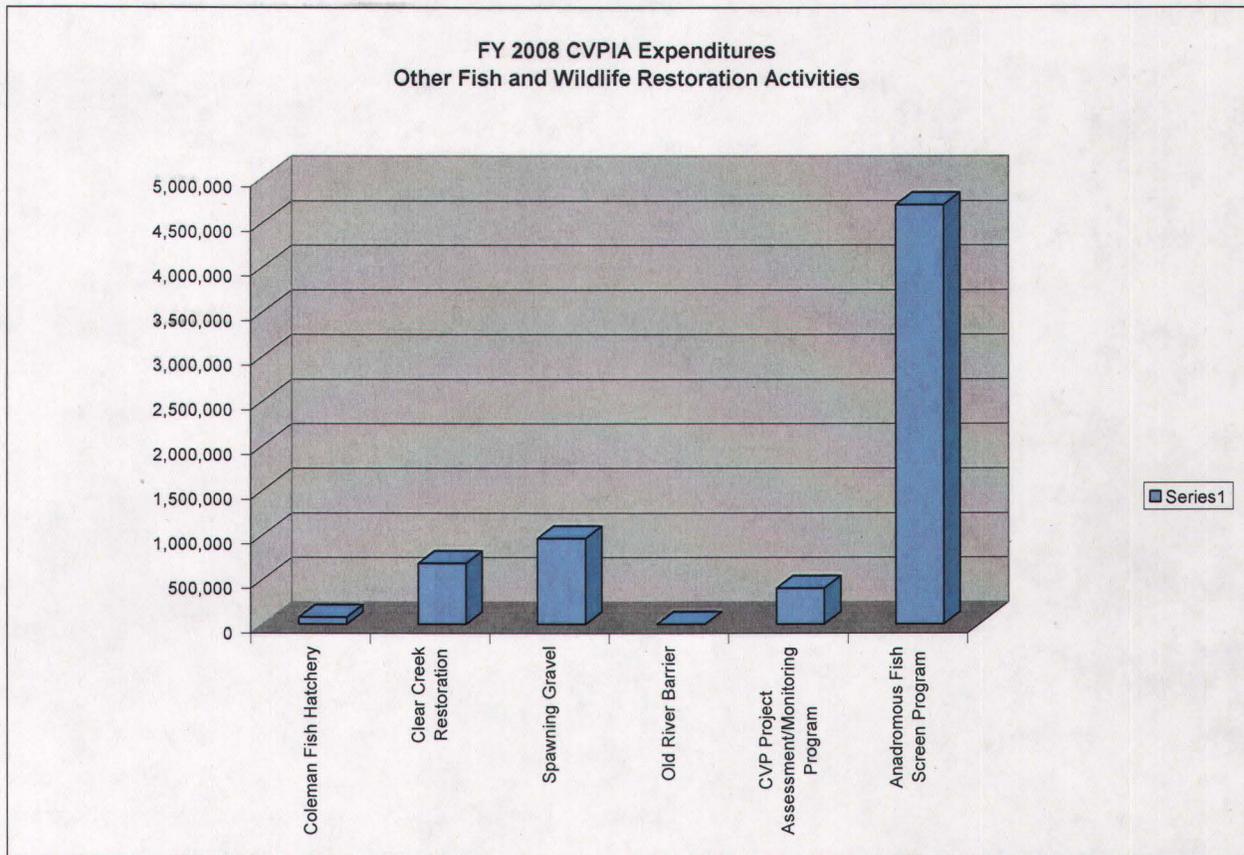
Chart 1 and 2 below graphically depict the expenditures during FY 2008 for Habitation Restoration, Improvement and Acquisition and Other Fish and Wildlife Restoration Activities. Reclamation spent \$38.8 million on habitat related work, of which nearly 27 percent was used for water acquisition.

Chart 1



The remaining \$6.8 million of FY 2008 expenditures were used for fish and wildlife restoration activities, with the anadromous fish screen program accounting for nearly 69 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 in 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 2008 (Actual) and Fiscal Year 2010 (Projected)**

<u>REVENUES:</u>		<u>FY 2008 (Actual)</u>	<u>FY 2010 (Projected)</u>
<u>Non-Discretionary Revenues:</u>			
Pre-Renewal Charges (Subsection 3404(c)(3))		\$0	\$0
Tiered Water Charges (Subsection 3405(d))		204,101	300,000
Water Transfer Charges (Subsection 3405(a)(1)(B))		0	0
Friant Division Surcharges (Subsection 3406(c)(1))	See Schedule 2	5,807,113	0 1/
M&I Surcharges (Subsection 3407(d)(2)(A))		1,520	1,000
Subtotal - Non-Discretionary Revenues		<u>6,012,735</u>	<u>301,000</u>
<u>Discretionary Revenues:</u>			
Restoration Charges (Subsection 3407(c) & (d))	See Schedule 3	46,913,864	35,057,000
<u>Contributions:</u>			
Non-Federal Contributions (Subsection 3407(a))		<u>0</u>	<u>0</u>
TOTAL REVENUES		<u><u>\$52,926,599</u></u>	<u><u>\$35,358,000</u></u>
<u>EXPENDITURES:</u>			
Expenditures (Subsections 3406 & 3408)	See Schedule 4	\$45,582,318	\$35,358,000
Expenditures of Non-Federal Contributions		<u>0</u>	<u>0</u>
TOTAL EXPENDITURES		<u><u>\$45,582,318</u></u>	<u><u>\$35,358,000</u></u>
NET INCREASE/DECREASE (Revenues less Expenditures)		<u><u>\$7,344,281</u></u>	<u><u>\$0</u></u>

1/ FY 2010 projected revenues for the Friant Division Surcharge is \$0.00. All Friant revenues received as of October 1, 2009, are deposited into the San Joaquin River Restoration Fund (SJRRF).

Note: Schedules may reflect rounding differences.

**Central Valley Project Improvement Act
Friant Division Surcharges (Subsection 3406(c)(1))
for Fiscal Year 2008 (Actual) and Fiscal Year 2010 (Projected)**

<u>Irrigation Revenues:</u>	<u>FY 2008 (Actual)</u>	<u>FY 2010 (Projected) 2/</u>
<u>Service Area:</u>		
Friant-Kern Canal	\$4,028,111	\$0
Cross Valley Canal	1,974 1/	0
Madera Canal	969,255	0
Friant Dam	70,931	0
Mendota Pool	<u>0</u>	<u>0</u>
Total Irrigation Revenues	<u><u>\$5,070,271</u></u>	<u><u>\$0</u></u>
 <u>Municipal & Industrial (M&I) Revenues:</u>		
<u>Service Area:</u>		
Friant-Kern Canal	\$735,421	\$0
Cross Valley Canal	0	0
Madera Canal	210	0
Friant Dam	1,211	0
Mendota Pool	<u>0</u>	<u>0</u>
Total M&I Revenues	<u><u>\$736,842</u></u>	<u><u>\$0</u></u>
 GRAND TOTAL	 <u><u>\$5,807,113</u></u>	 <u><u>\$0</u></u>

1/ Contractor paid the Friant Surcharge. The Friant Surcharge is not applicable to this delivery area.

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 surcharg

**Central Valley Project Improvement Act
Restoration Charges (Subsection 3407(c) & (d))
for Fiscal Year 2008 (Actual) and Fiscal Year 2010 (Projected)**

Service Areas:	FY 2008	FY 2010	FY 2008	FY 2010
	(Actual)	(Projected)	(Actual)	(Projected)
	Irrigation		Municipal & Industrial (M&I)	
FOLSOM				
Folsom Dam & Reservoir	\$0	\$32,163	\$1,003,033	\$635,480
Folsom-South Canal	73,276	0	187,675	47,445
Sugar Pine Dam & Reservoir	0	1,637	21,830	13,995
Sly Park Dam & Reservoir	67,491	45,480	327,857	205,851
Subtotal Folsom	<u>\$140,767</u>	<u>\$79,281</u>	<u>\$1,540,396</u>	<u>\$902,771</u>
TRACY				
Contra Costa Canal	\$0	\$0	\$1,721,424	\$1,530,571
Delta-Mendota Canal	716,222	527,122	166,287	141,553
San Luis Canal-Tracy	555,226	520,237	(94,267) 1/	19,127
New Melones Dam & Reservoir	0	0	47,573	5,260
San Felipe Unit	225,118	144,617	1,814,813	2,320,398
Subtotal Tracy	<u>\$1,496,566</u>	<u>\$1,191,976</u>	<u>\$3,655,829</u>	<u>\$4,016,909</u>
FRESNO				
San Luis Canal-Fresno	\$2,075,783	\$777,653	\$209,979	\$229,838
Friant Dam	88,748	0	3,031	3,258
Friant-Kern Canal	5,011,958	6,263,233	1,834,589	1,115,465
Cross Valley Canal	280,558	408,929	0	0
Madera Canal	1,217,107	1,482,775	520	0
Delta-Mendota Pool	162,870	199,275	0	0
Buchanan Unit	210,960	218,304	0	0
Hidden Unit	210,960	218,304	0	0
Subtotal Fresno	<u>\$9,258,944</u>	<u>\$9,568,474</u>	<u>\$2,048,120</u>	<u>\$1,348,561</u>
SHASTA				
Clear Creek Unit	\$0	\$0	\$98,351	\$29,792
Shasta Dam & Reservoir	0	0	36,813	20,692
Spring Creek Conduit	0	0	79,263	56,399
Cow Creek Unit	0	0	60,140	80,804
Toyon Pipeline	0	0	33,348	35,306
Sacramento River - Shasta	37,124	13,135	72,448	164,830
Subtotal Shasta	<u>\$37,124</u>	<u>\$13,135</u>	<u>\$380,364</u>	<u>\$387,825</u>
WILLOWS				
Corning Canal	\$0	\$0	\$36	\$127
Tehama-Colusa Canal	8,878	8,250	4,807	3,603
Black Butte Dam & Reservoir	0	0	913	1,274
Colusa Basin Drain	0	0	0	0
Feather River	101,845	51,301	0	0
Sacramento River - Willows	1,160,296	1,598,204	67,894	910
Subtotal Willows	<u>\$1,271,019</u>	<u>\$1,657,755</u>	<u>\$73,649</u>	<u>\$5,915</u>
GRAND TOTAL	<u>\$12,204,419</u>	<u>\$12,510,620</u>	<u>\$7,698,357</u>	<u>\$6,661,981</u>
Summary of Restoration Charges for Water and Power:			FY 2008	FY 2010
Restoration Charges - Irrigation			\$12,204,419	\$12,510,620
Restoration Charges - M&I			7,698,357	6,661,981
Restoration Charges - Power			27,011,088	15,884,399
Grand Total			<u>\$46,913,864</u>	<u>\$35,057,000</u>

1/ Contractor payments were incorrectly identified as M&I water in FY 2007 and FY 2008, then corrected to Irrigation in FY 2008.

**Central Valley Project Improvement Act
Restoration Fund Expenditures
for Fiscal Year 2008 (Actual) and Fiscal Year 2010 (Projected)**

FISH AND WILDLIFE RESTORATION ACTIVITIES	CVPIA SUBSECTION	FY 2008 (Actual)	FY 2010 (Projected)
Habituation Restoration, Improvement and Acquisition			
Anadromous Fish Restoration Program	3406(b)(1)	\$5,708,148	\$3,990,000
In-Stream Flow Requirements	3406(b)(1)(B)	0	200,000
Other CVP Impacts	3406(b)(1) Other	2,003,347	1,268,000
Dedicated Project Yield	3406(b)(2)	868,670	600,000
Water Acquisition	3406(b)(3)	10,473,877	8,700,000
Flow Fluctuation Study	3406(b)(9)	26,348	50,000
Trinity River Restoration	3406(b)(23)	319,515	1,750,000
San Joaquin River Basin Res Mgt Initiative	3406(c)(1)	6,429,373	1,000,000
San Joaquin Basin Action Plan	3406(d)	1,957,306	500,000
Refuge Water Supply/Conveyance	3406(d)(1)(2)(5)	5,670,759	8,550,000
Ecosystem/Water Operations Study	3406(g)	4,532,973	4,900,000
Land Retirement	3408(h)	770,264	500,000
Subtotal		\$38,760,580	\$32,008,000
Other Fish and Wildlife Restoration Activities			
Tracy Pumping Plant & Fish Test Facility	3406(b)(4)	\$0	\$250,000
Coleman Fish Hatchery	3406(b)(11)	77,619	0
Clear Creek Restoration	3406(b)(12)	680,968	600,000
Spawning Gravel	3406(b)(13)	961,509	500,000
Old River Barrier	3406(b)(15)	27	0
CVP Project Assessment/Monitoring Program	3406(b)(16)	402,078	900,000
Anadromous Fish Screen Program	3406(b)(21)	4,699,536	1,100,000
Subtotal		\$6,821,738	\$3,350,000
 GRAND TOTAL EXPENDITURES		 \$45,582,318	 \$35,358,000