**STATE OF CALIFORNIA**
**Capital Outlay Budget Change Proposal (COBCP) - Cover Sheet**
DF-151 (REV 07/21)

| Fiscal Year | Business Unit | Department | Priority No. |
|---|---|---|---|
| 2026/27 | 3125 | California Tahoe Conservancy | 006 |

| Budget Request Name | Capital Outlay Program ID | Capital Outlay Project ID |
|---|---|---|
| 3125-015-COBCP-2026-GB | 2345 | 0008795 |

**Project Title**
Reappropriation of Sunset Stables Reach 6, Upper Truckee River Restoration Project

**Project Status and Type**
Status: ☐ New ☒ Continuing Type: ☒Major ☐ Minor

**Project Category *(Select one)***

| | | | |
|---|---|---|---|
| ☐CRI *(Critical Infrastructure)* | ☐WSD *(Workload Space Deficiencies)* | ☐ECP *(Enrollment Caseload Population)* | ☐SM *(Seismic)* |
| ☐FLS *(Fire Life Safety)* | ☐FM *(Facility Modernization)* | ☐PAR *(Public Access Recreation)* | ☒RC *(Resource Conservation)* |

| Total Request (in thousands) | Phase(s) to be Funded | Total Project Cost (in thousands) |
|---|---|---|
| $ 0 | Working Drawings | $ 11,500 |

**Budget Request Summary**

The California Tahoe Conservancy (Conservancy) requests the reappropriation of an existing $500,000 Habitat Conservation Fund capital outlay appropriation for the working drawings phase. This will allow the Conservancy to develop working drawings for the multiple- benefit Upper Truckee River, Reach 6 Project without delay.

| Requires Legislation | Code Section(s) to be Added/Amended/Repealed | CCCI |
|---|---|---|
| ☐ Yes ☒ No | | |

| Requires Provisional Language | Budget Package Status |
|---|---|
| ☐ Yes ☒ No | ☐ Needed ☒ Not Needed ☐ Existing |

**Impact on Support Budget**

| | | | | | |
|---|---|---|---|---|---|
| One-Time Costs | ☐ Yes | ☒ No | Swing Space Needed | ☐ Yes | ☒ No |
| Future Savings | ☐ Yes | ☒ No | Generate Surplus Property | ☐ Yes | ☒ No |
| Future Costs | ☒ Yes | ☐ No | | | |

**If proposal affects another department, does other department concur with proposal?** ☐ Yes ☒ No
*Attach comments of affected department, signed and dated by the department director or designee.*

| Prepared By | Date | Reviewed By | Date |
|---|---|---|---|
| Stuart Roll | 12/12/2025 | Erin Ernst | 12/22/2025 |
| **Department Director** | **Date** | **Agency Secretary** | **Date** |
| Jason Vasques | 12/22/2025 | | |

**Department of Finance Use Only**

| Principal Program Budget Analyst | Date submitted to the Legislature |
|---|---|
| **Michael McGinness** | **1/9/2026** |

**A. COBCP Abstract:**

The California Tahoe Conservancy (Conservancy) requests the reappropriation of an existing $500,000 Habitat Conservation Fund capital outlay appropriation for the working drawings phase. This will allow the Conservancy to develop working drawings for the multiple- benefit Upper Truckee River, Reach 6 Project (Project) without delay. As part of the Project's working drawings phase, the Conservancy will develop engineering plans and specifications to restore a degraded section of the Upper Truckee River (River) and adjacent floodplain.

The Project will reduce sediment and nutrients that flow from the River into Lake Tahoe; enhance aquatic and terrestrial habitat; protect biodiversity; sequester carbon; improve public access; and restore climate resilience. As part of the eventual Project construction phase, the Conservancy will enhance 4,500 feet of river channel and 70 acres of floodplain and remove conifers on 130 acres to improve habitat and reduce fire risk.

The Conservancy estimates total Project costs at $11.5 million, including Project study (previously authorized at $500,000), preliminary plans ($250,000), working drawings ($500,000), and construction ($10.25 million) phases. The USDA Forest Service awarded a $1.9 million grant to the Conservancy to plan and implement the Project. The Conservancy will fund $2.7 million with Habitat Conservation Fund, Proposition 4, and other sources. The Conservancy will need to secure $6.9 million in other state and federal grant sources to construct the entire Project. However, if the full amount of funding is not available, the Conservancy will phase the Project to implement discrete elements at a lesser construction cost. The Conservancy will complete the Project Study phase and begin work on preliminary plans in early 2026. The Conservancy will initiate working drawings in late 2026, and anticipates starting construction in 2027.

| Phase | USFS funding | Conservancy funding | Future grants | Total funding |
|---|---|---|---|---|
| Study | $ 500,000 | $ - | | $ 500,000 |
| Preliminary plans | $ 150,000 | $ 100,000 | | $ 250,000 |
| Working drawings | | $ 500,000 | | $ 500,000 |
| Construction | $ 1,250,000 | $ 2,100,000 | $ 6,900,000 | $ 10,250,000 |
| Total | $ 1,900,000 | $ 2,700,000 | $ 6,900,000 | $ 11,500,000 |

**B. Purpose of the Project:**

The Conservancy seeks to restore Reach 6 of the River and surrounding areas to address environmental impairments and achieve agency, state, and federal resource objectives. The Conservancy aims to enhance wildlife habitat and biodiversity, increase climate resilience and greenhouse gas sequestration, improve water quality and public access, and decrease wildfire risk.

The River is Lake Tahoe's largest inflowing stream and has experienced a long history of impacts. Logging, grazing, roads, stream channelization, urban development, recreation, and an airport have extensively degraded the lower portion of the watershed, resulting in impairments that reduce habitat value, water quality, and climate resilience. In the Project area, the channel is deep and oversized and does not frequently inundate the floodplain during typical snowmelt flows. The River is a major source of sediment and nutrients that impact Lake Tahoe's clarity, due to eroding banks and reduced floodplain filtration. The long history of fire suppression and channel impairment has lowered groundwater elevations and converted a large meadow complex into a thicket of lodgepole pine. This conversion reduced the extent of meadow habitats that are important to many wildlife species. Extensive droughts expected with climate change will make the area even drier and further impact wildlife habitat.

In 1999, the Conservancy acquired the former Sunset Stables property due to its valuable environmental resources and because it presents numerous opportunities for protection, restoration, and public access. The property includes large stretches of the River and floodplain. Residents and visitors to Tahoe recreate on the property to connect with the natural environment. The property includes nearly all of the River's Reach 6, and a portion of Reach 5. The Conservancy restored Reach 5 on the property but has not yet restored Reach 6.

**C. Relationship to the Strategic Plan:**

The Conservancy was established in 1984 for the purposes of protecting and restoring Lake Tahoe's natural environment, including water quality, air quality, and wildlife habitat; acquiring, restoring, and managing lands; preserving the scenic beauty and recreational opportunities of the region; and providing public access. The Conservancy's 2024-2029 Strategic Plan (Strategic Plan) outlines the goals and strategies for how the Conservancy will fulfill its mission to lead California's efforts to restore and enhance the extraordinary natural and recreational resources of the Lake Tahoe Basin (Basin).

The Project helps achieve Strategic Plan Goals for Access (Provide Recreational Opportunities and Access for All), Protection (Safeguard the Basin's Environmental, Tribal, Cultural, and Recreational Attributes for Future Generations), and Restoration (Restore the Basin's Social and Ecological Resilience). In particular, the Project will advance strategies to enhance equitable and sustainable access, protect forests and reduce wildfire risk, and integrate and scale up restoration.

The Project is also consistent with the Lake Tahoe Basin Environmental Improvement Program (EIP), and is EIP project number 01.02.01.0005. The EIP is the Basin's strategy for protecting and restoring ecosystems and watersheds. In 1997, the State of California joined the State of Nevada, the federal government, the Tahoe Regional Planning Agency, and other partners in an ongoing commitment to fund and implement the EIP. Since 1998 the Conservancy has received appropriations totaling over $500 million for EIP implementation purposes. The request for Project funding is consistent with continuation of this commitment. Under the Strategic Plan, the Conservancy continues to lead California's involvement in the EIP, secure the State's share of funding, and develop and implement high priority EIP projects. Additionally, the Project is part of the Tahoe Climate Resilience Action Strategy and is a key part of the multiple-agency Greater Upper Truckee River Watershed Restoration document.

In addition to the Strategic Plan and other regional plans and programs, the Project supports multiple State greenhouse gas reduction, climate change, and sustainability initiatives. The Project will contribute to the State's goal of conserving 30 percent of California by 2030 by restoring 130 acres of critical wildlife habitat and improving biodiversity. This water quality Project is consistent with the California Water Action Plan. The California Water Action Plan emphasizes multiple-benefit projects, restoring mountain meadow habitat areas, and implementing Integrated Regional Water Management Plans. The Project will also advance Executive Order N-82-20, because it will include nature-based solutions to address climate change, protect biodiversity, and provide access to all Californians to the state's precious natural areas.

**D. Alternatives:**

In 2008, the Conservancy worked with the Department of General Services (DGS) to explore restoration alternatives for the Reach 5 and Reach 6 restoration projects. The 2008 alternatives analysis, in conjunction with more recent feasibility analysis, provides the foundation for the restoration strategy. The Conservancy and its partners support the restoration strategy of primarily enhancing the floodplain but also enhancing the river channel of Reach 6. This alternative provides the most benefit relative to cost, will result in less disturbance in sensitive environments, and provides more opportunities to enhance public access to the site.

Proposed Project: The proposed Project includes a variety of restoration elements to enhance Reach 6. The Conservancy will strategically grade the floodplain, install logs in the river channel, remove conifers that have encroached on the floodplain, rehabilitate roads and trails, improve stormwater facilities, restore the former stables site, and create a river access point. This restoration strategy most effectively mitigates historic disturbance and improves natural resources and public access.

No Project: Under this alternative the Conservancy will not restore the Reach 6 channel, remove trees in the adjacent wetlands, or improve trails. Existing impairments will remain. Habitat value and channel stability will continue to degrade, reducing climate resilience and impacting downstream water quality. The trees in the Project area will continue to reduce critical meadow habitats and increase fire risk. The Conservancy would also not improve the trail network, impacting public access and natural resources. The Conservancy and its partners do not prefer this alternative.

**E. Recommended Solution:**

1. Which alternative and why?

   As described above, the Conservancy prefers the proposed Project because it provides the most benefit relative to cost, will result in less disturbance in sensitive environments, enhances wildlife habitat, and supports appropriate levels of public access to the site. The Conservancy and its partners do not support the no project alternative because it does not address any of the important natural resources, public access, or fire risk issues at the Project site. The site's condition will continue to degrade, and the regional losses of important meadow habitats and wildlife movement corridors will remain.

2. Detailed scope description.

   The Conservancy will enhance approximately 4,500 linear feet of river and 70 acres of adjacent floodplain and remove conifers on 130 acres to restore habitat and reduce wildfire risk. The Conservancy will work with DGS and contractors to construct several features in the channel to enhance resiliency and habitat. The Conservancy will remove fill and strategically lower portions of the floodplain to create more functional wetlands. Project features also include wood and vegetation to stabilize banks and enhance habitat. The Conservancy will remove 130 acres of conifers that have encroached in the wetlands and adjacent areas to return the currently forested floodplain back to meadow habitat and reduce fire danger. This functional meadow and wetland habitat will also sequester more carbon than under the current condition. Additionally, the Conservancy will also enhance public access by improving trails, decommissioning redundant and inappropriate trails, and improving river access.

3. Basis for cost information.

   Conservancy staff developed Project cost estimates in consultation with engineers and practicing partner experts with recent restoration project experience. Staff based their estimates on several comparable projects, bid tabulations, and professional experience.

4. Factors/benefits for recommended solution other than the least expensive alternative.

   As described above, this alternative is the least expensive, but staff also prefer it because it limits construction time and disturbance, and because it involves less long-term risk of unexpected consequences. This alternative also presents several opportunities to phase the Project if the full construction funding amount is not available.

5. Complete description of impact on support budget.

   Engineers will design the restoration elements to be self-sustaining over time, but staff estimates that about $10,000-15,000 will be needed annually to cover costs such as monitoring, adaptive management, and access improvements maintenance. Staff developed this estimate based on professional experience and comparison with other recent restoration projects.

6. Identify and explain any project risks.

   Any construction project carries risk of increased scope due to discovery of unknown site conditions throughout the design and construction process that can alter the projected construction cost. These risks can be mitigated or minimized by concurrently developing a prioritized itemization of Project features that can be reduced in scope or eliminated without affecting the functionality of the Project.

   River restoration projects also present risks for construction impacts to water quality or sensitive biological resources. The Conservancy will minimize these risks by implementing a variety of resource protection measures during construction and by complying with Basin regulations.

7. List requested interdepartmental coordination and/or special project approval (including mandatory reviews and approvals, e.g. technology proposals).

   The Project will require review and approval by the Department of the State Architect and the State Fire Marshall. The State Public Works Board and Department of Finance will also review and approve the Project at various stages.

   In addition, the Project will be reviewed and approved by several other agencies, including but not limited to the Army Corps of Engineers, California Department of Fish and Wildlife, the Regional Water Quality Control Board, and the Tahoe Regional Planning Agency. These agencies have already participated in the Project development process and will continue to stay engaged through design and construction.

**F. Consistency with Government Code Section 65041.1:**

Does the recommended solution (project) promote infill development by rehabilitating existing infrastructure and how? Explain.

No, this does not apply to the Project. The Project will improve environmental infrastructure but not in a way that directly promotes infill development.

Does the project improve the protection of environmental and agricultural resources by protecting and preserving the state's most valuable natural resources? Explain.

The Project will protect and preserve the State's natural resources by restoring the River and adjacent floodplain. The Project will substantially improve water quality, enhance important river and meadow habitats, and contribute to the State's goal of conserving at least 30 percent of California's land by 2030.

Does the project encourage efficient development patterns by ensuring that infrastructure associated with development, other than infill, support efficient use of land and is appropriately planned for growth? Explain.

Not applicable - The Project is primarily within a protected area which will not be developed, and the environmental infrastructure will not directly affect adjacent land use or growth.