

EXECUTIVE DIRECTOR'S REPORT

A. Budget

2011-12 FY: The approved 2011 Budget Act includes \$15,756,000 in capital outlay and local assistance appropriations for the Conservancy. This will allow continued funding of projects to meet resource and public access needs under the Environmental Improvement Program (EIP) for the Lake Tahoe Basin. Funding includes \$2,316,000 from various State sources dedicated to the Conservancy, \$3,440,000 in funding from Conservancy Land Bank proceeds, and \$10,000,000 in federal grant authority. The extension of several older appropriations, mostly bond appropriations delayed by the bond freeze in 2008 and 2009, was also approved.

The Budget Act also originally provided a support budget totaling \$6,640,000 and 48.4 Personnel Years (PY). Several budget adjustments have been made, however, pursuant to budget control language, including elimination of the General Fund portion of the Conservancy's budget (-\$193,000); employee furloughs, cell phone reductions, and other cost savings (-\$94,000 and 3.0 PY), and provisions for higher health care and benefits costs (+\$47,000). This has resulted in a final support budget total of \$6,400,000 and 45.8 PY. This support budget, while at a somewhat reduced level, will be adequate for the Conservancy to address its support-funded responsibilities and obligations in the 2011-12 fiscal year.

Finally, the 2011 Budget Act includes supplemental report language for both the Tahoe Regional Planning Agency (TRPA) and the Conservancy. TRPA has been asked to report on its efforts and strategy to complete a Regional Plan update, and on its progress on a five-year threshold attainment evaluation report. The Conservancy has submitted a report summarizing its and other State of California agencies' progress in fulfilling their responsibilities to implement the EIP and sustainability planning in the Tahoe Basin, including ways in which the State can better coordinate its efforts.

2012-13 FY: Governor Brown has introduced his proposed Governor's Budget for the 2012-13 fiscal year. For the Conservancy, a total of \$9,329,000 is included for capital outlay and local assistance. This would allow continued funding of projects to meet resource and public access needs under the EIP. Proposed funding includes \$4,329,000 from various State sources dedicated to the Conservancy, along with \$5,000,000 in Federal grant authority. The support budget totals \$6,335,000 and 45.5 PY. The Legislature will now consider these proposals for inclusion in the 2012 Budget Act.

1. Bond Fund Freeze

The Conservancy received \$19,200,000 from the March and April 2009 bond sales. This was sufficient to complete the payment of unpaid bills for work done prior to the freeze and to allow a limited restart of previously authorized bond-funded projects. A total of an additional \$14,900,000 has since been allocated from bond sales in October 2009, March 2010, and Fall 2010. This is sufficient to 1) meet the remaining cash needs of existing (as of August 2010) projects; and 2) provide \$11,900,000 in cash for additional new projects. It is estimated this will cover all cash flow needs through the end of the 2012 calendar year. The Conservancy will need another \$16,600,000 in cash from future, twice-annual bond sales, beginning with a Spring 2012 sale, to fully cover remaining bond authority over the remaining life of its Proposition 12, 40, 50, and 84 bond programs.

B. Major Conservancy Projects Recently Completed or in Progress, El Dorado County

1. Public Access and Recreation

Sawmill II Bike Trail: Since May 2005, the Conservancy has awarded a total of \$821,000 (\$460,000 from the Public Access and Recreation Program and \$361,000 from the Erosion Control Program) to El Dorado County to design and permit a Class 1 bike path and erosion control improvements. The Sawmill II Bike Trail, adjacent to Sawmill Road and running from U.S. Highway 50 to Lake Tahoe Boulevard, is an extension to the recently completed Sawmill I Bike Path from Meyers spanning the Upper Truckee River and is consistent with the Lake Tahoe Bicycle and Pedestrian Plan. The project is being designed and evaluated in collaboration with the Conservancy's and County's Erosion Control Programs and, in addition to the bike path, will address the erosion and stormwater management

problems along the entire stretch of Sawmill Road. The County continues working on the design-engineering plans and private property easement negotiations. Construction of an initial phase of the path may begin during Summer 2012. Staff is recommending a modest easement acquisition grant in support of project implementation during the March 2012 meeting.

South Tahoe Greenway Shared-Use Trail: The South Tahoe Greenway Shared-Use Trail Project will provide the backbone of the bicycle network in the core of South Lake Tahoe. The 3.86 miles of proposed new trail will link the Sierra Tract neighborhood in South Lake Tahoe with Van Sickle Bi-State Park and will incorporate a section of existing bike path at the South Tahoe Ball Fields. The project received Conservancy, TRPA, and City approval in late 2011. The grant application for federal Transportation Investment Generating Economic Recovery (TIGER) funds to construct the first segment was unsuccessful. Current staff effort focuses on securing rights of access to improve the “shovel ready” status and seeking construction funding.

Lake Tahoe Boulevard Enhancement: The Conservancy grant agreement with El Dorado County expired in June 2011. Conservancy staff, however, anticipates continued involvement with this project. The County continues to make progress on project design and biological surveys in coordination with the U.S. Forest Service Lake Tahoe Basin Management Unit (LTBMU), which owns the majority of the land within the proposed project area.

Lake Tahoe Water Trail: Conservancy staff, in collaboration with other public recreation agencies and interested private parties, completed the Lake Tahoe Non-Motorized Boating Framework (Framework) in 2011. The Conservancy funded one of the Framework’s recommendations to improve wayfinding information for paddlers. This effort resulted in a Tahoe-specific graphic indicating non-motorized paddler access that can be used to communicate a variety of access, interpretation, safety, and regulatory information. The California Department of Boating and Waterways is currently funding work by the California Department of Transportation (Caltrans), the Nevada Department of Transportation (NDOT), and TRPA to incorporate this image in approved sign standards. Current staff effort includes developing Framework implementation tasks

for Conservancy property and continuing collaboration with other regional agencies on implementation.

2. Soil Erosion Control

The Conservancy has awarded El Dorado County \$8,851,938 in Conservancy grants for the active erosion control projects highlighted below. These projects address sediment sources, capture and treat stormwater from public rights-of-way, and improve water quality by reducing the amount of sediment and nutrients delivered to Lake Tahoe.

Montgomery Estates Erosion Control, Areas 1, 2, & 3: The Board has authorized a total of \$369,000 in grant funds for the planning of this project. The Conservancy expended the planning grant with the completion of preliminary plans for Area 1 last spring. Project implementation for Area 1a was completed this past season, and Area 1b will start construction during the summer of 2012. Planning continues for Areas 2 and 3 with funding from the LTBMU.

Sawmill II Erosion Control: The Board has authorized erosion control grant funds totaling \$361,000 for this project. The project is planned in concert with the bike trail project along Sawmill Road. Currently, the County is proposing to implement the project in two phases, beginning in Summer 2012 with Phase A, followed by Phase B in Summer 2013. Implementation of the Echo View 2 Erosion Control Project, an offshoot of this project, is also scheduled to begin in Summer 2012. The County is close to completing all permit applications.

Christmas Valley Erosion Control: There have been no changes to this project since the December 2011 Board meeting. The Board has authorized grant funds totaling \$2,685,626 for this project. In 2007, the County completed Phase 1 of this project along Grass Lake Road in the Meyers area, in conjunction with SEZ improvements. The County completed construction of Phase 2A along Cornelian and Shakori Drives in 2009. Construction of Phase 2B was completed during the late summer of 2010. Construction of Phase 2C is now scheduled for Summer 2012; it has been delayed due to finalizing easements and reduced staff at the County.

Angora 3 Erosion Control: The Board has authorized grant funds totaling \$4,836,312 for this project. The County constructed a portion of this project in 2007 in response to the Angora Fire, with the remaining portions constructed in the Summer and Fall of 2008. High groundwater in the area after the Fire, due to a lack of vegetation, resulted in several challenges in the project area that the County has been addressing. The County constructed several additional project improvements in fall of 2011 to improve the project's performance. The project will conclude upon the completion of the final monitoring report.

Angora Fire Emergency Rehabilitation: There have been no changes to this project since the December 2011 Board meeting. The Board has authorized grant funds totaling \$600,000 to the County for improvements and monitoring associated with the Angora Fire response. The County completed this project in early November 2007. Monitoring and maintenance of the facilities continue. Additional stabilization work was completed this summer along Mule Deer Circle and Lookout Point Circle, due to high ground water issues occurring after the Fire. Conservancy staff has approved and sent the County a partial release of retention funds, as the County is nearing completion of the project. Monitoring of the project is the last remaining task.

Comprehensive Facility Erosion Control: Planning for the Cold Creek Filter Plant Best Management Practices (BMP) and Ralph Tank Removal SEZ Restoration has concluded, and project construction was completed in Fall 2011 for both sites using LTBMU and South Tahoe Public Utility District (STPUD) funding. The Board authorized \$450,000 to STPUD to plan improvements and develop SEZ restoration components within the County. This project will help control sediment sources and treat stormwater runoff at 18 different STPUD facilities. STPUD incorporated the BMP Toolbox, a collection of techniques and strategies to restore and address runoff from multiple STPUD facility sites, into the Draft Alternatives Analysis for Technical Advisory Committee (TAC) review.

3. Natural Resources

Upper Truckee River Sunset Stables Reach: The Conservancy released a public draft of the environmental document on April 22, 2011. The public comment ran through May 23, 2011, during which time four

comments were received. Staff worked with the project consultant to draft the response to comments and the final environmental document. Staff is bringing the document to the Board for approval in March 2012.

In 1999, the project began with the acquisition of the 189-acre Sunset Stables property. To date, the Board has authorized \$2,479,728 for planning activities. The Conservancy is implementing this river restoration project in partnership with the LTBMU, since the project will be carried out on both state and federal lands.

The project site is located along the Upper Truckee River near the Lake Tahoe Airport, between Meyers and South Lake Tahoe, and encompasses Reaches 5 and 6 of the river. The project will restore natural river processes, enhance SEZs, improve wildlife habitat and fisheries, and improve water quality in the 254-acre planning area.

The Conservancy and LTBMU jointly submitted a request for funding to the Southern Nevada Public Lands Management Act (SNPLMA) Round 10 funding cycle in December 2008 for \$4,500,000 to fund the construction of Reach 5. The entire request was approved in September 2009. The LTBMU awarded a contract for Reach 5 final design in October 2009. Final designs for Reach 5 are scheduled for completion in February 2012, and construction is anticipated to begin with the preparation of the staging and stockpile area in Summer 2012.

The Conservancy submitted a request for funding to SNPLMA Round 12 in March 2011 for \$2,000,000 to fund construction of Reach 6. LTBMU became the federal sponsor of this project in April 2011, and the requested amount was reduced to \$1,000,000. At the completion of the agency review and the public comment period, the request for \$1,000,000 was recommended for approval by the Lake Tahoe Federal Advisory Committee. The U.S. Secretary of the Interior approved this request in Fall 2011.

An agreement with the U.S. Army Corps of Engineers (USACE) was approved by the Board and provides up to \$5,000,000 for final design and construction of Reach 6. Appropriation of the funding to fulfill the terms of this agreement is being sought by USACE.

The Lahontan Regional Water Quality Control Board (Lahontan) approved a grant of up to \$400,000 in Tahoe Keys Mitigation funds for final design work on Reach 6. The Secretary of the Natural Resources Agency approved the disbursement of the Tahoe Keys Mitigation funds. After approval to receive the grant by the Conservancy Board, staff will contact TRPA staff to arrange transfer of these funds to the Conservancy.

The Conservancy has received partial reimbursement in the amount of \$100,120 for project expenses from LTBMU under the Wyden Agreement approved by the Board in 2008. These funds are being held in a federal trust account for the completion of the final project design for Reach 6. Requests for approximately \$11,380 in remaining reimbursements will be submitted to LTBMU over the next six months. This will provide approximately \$111,500 in funds for final project design.

Once construction funding is secured, the Conservancy will take the project to the State Public Works Board for approval to proceed to final design and construction. Project construction for Reach 6 is planned for 2015, beginning with the excavation of a new channel.

In preparation for construction activities, a contractor under contract to the Tahoe Resource Conservation District treated the area for noxious weeds in August and October 2011. The goal of this treatment is to control noxious weeds in the project area prior to ground-disturbing activities and prevent their spread into newly-graded areas of the project.

Upper Truckee Golf Course Reach: On October 21, 2011, the California Department of Parks and Recreation (DPR) Commission (Commission) voted unanimously to approve the General Plan amendment and adjust the land classifications of Lake Valley State Recreation Area and Washoe Meadows State Park. DPR Director Coleman then approved the project (the proposed Preferred Alternative described in the Final Environmental Impact Report) with findings and a mitigation monitoring plan. On November 23, 2011, a lawsuit challenging the procedure used to process the approvals for the proposed project was filed. The lawsuit contends that the Commission acted upon a project that was not “final”.

Although DPR believes that the Commission fully understood and was aware of the mitigation and findings necessary for the project, and that this procedure was sufficient, on January 27, 2012, Director Coleman reapproved the project conditioned upon the action of the Commission. The Commission then voted unanimously to approve changes to the park unit boundaries and classifications again. A hearing on the final environmental document at the TRPA Governing Board is anticipated in early 2012.

The Conservancy Board has authorized a total of \$377,750 to DPR for planning activities. The project site is located approximately 1.5 miles north of Meyers and 2.5 miles south of the South Lake Tahoe city limits. The project area encompasses both DPR and Conservancy properties, and includes the Lake Valley State Recreation Area and a portion of Washoe Meadows State Park.

The project will restore natural river processes, resulting in enhanced SEZs, improved wildlife habitat and fisheries, and improved water quality. DPR has completed a number of tasks, including vegetation mapping, land capability verification, spotted owl and raptor surveys, groundwater elevation monitoring, well installation, vegetation monitoring transects, first year monitoring, and conceptual bridge research.

Erie Circle SEZ: There have been no changes to this project since the December 2011 Board meeting. This project encompasses a severely-eroding slope within an SEZ on Conservancy-owned properties. To date, the Conservancy has expended \$44,080 for an existing conditions analysis and plan development. Conservancy staff finalized design with the consultant in Summer 2010. Minor slope stabilization work occurred in Fall 2010 using Conservancy crews and continued in the Fall of 2011. The crew will complete slope stabilization in 2012. Last year's stabilization work has been very effective at preventing erosion, and staff will continue monitoring the work for effectiveness.

4. Forest Habitat Enhancement

The Forest Habitat Enhancement Program focuses on preserving, enhancing, and restoring forested habitats on Conservancy property. These projects are designed to improve habitat, reduce fire threat, and promote natural

processes. Staff worked with the Lake Valley Fire Protection District (LVFPD) and the Meeks Bay Fire Protection District (MBFPD) to plan and implement the Conservancy's forestry activities in El Dorado County for the 2011 field season.

The Conservancy is engaged in various monitoring projects to determine the effectiveness of program activities. Between 2002 and 2006, the Conservancy and the California Department of Forestry and Fire Protection (CalFire) established a series of permanent forest inventory plots across the Conservancy's ownership. The Conservancy will use information derived from the inventory to aid in the development of management objectives and strategies. The Conservancy initiated a second round of data collection on these plots in 2009 and will continue the effort over the next several summers. Moving forward, the Conservancy will focus on monitoring plots within annual treatment units. Monitoring of songbird populations within current and planned project areas was initiated in 2009. Additional surveys were conducted in June and July 2011. The Conservancy staff plans to continue stocking surveys on proposed quaking aspen stands in El Dorado County. Staff will revisit these transects periodically after the removal of encroaching conifers to measure the success of such treatments.

The Conservancy continues post-fire restoration work on Conservancy land within the Angora Fire area. Activities in 2011 included planting conifer seedlings, irrigation as needed, and maintenance of soil erosion BMPs installed after the Fire. In 2011, MBFPD, LVFPD, the California Conservation Corps (CCC), and the Conservancy treated a total of 56 acres of Conservancy land for fuels reduction and aspen enhancement in El Dorado County.

Meeks Bay Fire Protection District: Fuel reduction is complete for 2011 on 10 acres of urban lots utilizing hand crews, pile burning, and chipping by a track chipper. Staff worked collaboratively with MBFPD to plan, implement, and fund these projects through a variety of sources, including SNPLMA and U.S. Forest Service grants, as well as with direct Conservancy funding. Project areas included Meeks Bay urban lots and Meeks Bay Meadow.

Lake Valley Fire Protection District: Conservancy staff worked collaboratively with LVFPD to plan, implement, and fund the restoration of 46 acres of urban lots in 2011. Funding for these projects came from a variety of sources, including SNPLMA, U.S. Forest Service grants, and

direct Conservancy funding. Restoration activities included fuel reduction and aspen restoration utilizing hand crews, pile burning, and chipping by a track chipper. The CCC, with the assistance of Proposition 84 funds, completed the majority of two phases of the Meyers 5 project. Other project areas include Southern Pines.

C. Major Conservancy Projects Recently Completed or in Progress, Placer County

1. Public Access and Recreation

Homewood Bike Path: There have been no dramatic changes to this project since the December 2011 Board meeting. The Conservancy awarded \$165,000 to the Tahoe City Public Utility District (TCPUD) in May 2008 to finalize the design and procure the necessary permits for this project. TCPUD continues to plan and evaluate the bike path. There is potential for the improvements to be completed in conjunction with the State Highway 89 Water Quality Retrofit Project, planned for implementation by Caltrans beginning in 2012. Project approval, including California Environmental Quality Act (CEQA) certification, is anticipated in the spring of 2012.

Lakeside Bike Trail (Phases V through VII): At the March 2010 Conservancy Board meeting, the Board authorized \$2,500,000, as well as 9,300 square feet of SEZ Restoration Credit and 2,100 square feet of Class 5 coverage to TCPUD to complete Phases V through VII of the Lakeside Bike Trail through Tahoe City. Construction of Phase VII began in Summer 2010 and was completed in Fall 2011. Construction of Phases V and VI began in late Summer 2011 and should be completed in 2012.

Tahoe City Transit Center Bike Trail: Placer County began constructing the Tahoe City Transit Center in Summer 2010. While facility operation had been anticipated this fall, construction of the main building is not yet complete. The bike trail elements funded by the Conservancy have been installed.

North Tahoe Bike Trail: The 2010 planning grant authorization to Placer County has resulted in a signed grant agreement for \$300,000, with authorization of up to an additional \$135,000 if justified. Placer County has requested release of all available funds.

County staff has a contract to evaluate and design the proposed 2.5-mile trail alignment between Dollar Point and the southern boundary of LTBMU land terminating just west of Fulton Crescent Road, a County street. The project kicked off its planning effort in August 2011. Initial planning studies were completed, and a public open house was held in October 2011. Consultants have completed most of the technical studies and are now preparing the environmental document.

Patton Landing: Alpengroup's café at Patton Landing, Waterman's Landing, has continued operations through the winter, and the mild weather has enabled enthusiastic stand-up paddleboarders to support the operation well beyond the traditional rental season.

2. Soil Erosion Control

The Board has authorized \$14,061,338 in grant funds to Placer County for currently active erosion control projects. These projects address sources of sediment and capture and treat stormwater runoff from public rights-of-way. The projects improve water quality by reducing the amount of sediment and nutrients delivered to Lake Tahoe.

Homewood Erosion Control: The Board has authorized \$580,000 to fund the planning effort. A preferred alternative for Phase 1 was selected in July 2010, and the Technical Advisory Committee (TAC) met in December 2010 to review the associated 50% engineered design. At the request of the TAC, the project area was slightly expanded to address the entirety of an unpaved street in one of the project watersheds (Phase 1a). Placer County further expanded the area to improve the functionality of existing storm water infrastructure in that watershed. Additional topographic surveying and biological surveys were completed in the summer of 2011 to facilitate this effort. The environmental document was adopted by Placer County in February 2012, and the TAC will reconvene soon to finalize the construction documents. Construction of Phases 1 and 1a is scheduled for 2012.

Tahoe Pines Erosion Control: There have been no changes to the project since the July 2011 Board meeting. The Board authorized \$1,825,000 for this project for Areas A, B, and C. The County has already constructed project improvements in Areas B and C. The County began

implementation of Area A in October 2009 by constructing improvements at the Grand Avenue boat launch (Phase I). Construction of Phase II was completed in 2010, and construction of Phase III was completed in 2011. Phase III included restoration and protection of an SEZ that traverses the project area, and utilization of Conservancy-owned parcels to capture, infiltrate, and treat storm water runoff in the upper part of the subdivision.

Brockway Erosion Control: There have been no changes to the project since the May 2011 Board meeting. The Board has authorized \$1,974,655 for this project. The necessary acquisitions, final design, and permitting process are complete, and the first phase of construction was completed in 2011, with the completion of project construction planned for 2012. Storm water from public and private lands in Nevada and California co-mingle, necessitating a joint treatment and cost-sharing agreement between Placer County, Boulder Bay LLC, Washoe County, and the States of Nevada and California.

Kings Beach Commercial Core and Water Quality and SEZ

Improvement: There have been no changes to the project since the September 2010 Board meeting. The Board has authorized \$600,000 to plan the Commercial Core Project and \$1,123,000 for the Water Quality and SEZ Improvement Project.

The County completed environmental documentation, and acquisition activities are underway for the entire project area. This month's Board actions include consideration of easements across Conservancy-owned property for the Commercial Core Project. Given current funding opportunities, the County split this project into numerous phases in order to construct portions of the project as funding becomes available. Construction of the first phase was completed in 2010 using funding from the America Recovery and Reinvestment Act of 2009 (ARRA). The first phase included installation of the Fox Street Clean Water Pipe and improvements to storm water conveyances and treatment basins along Fox Street and intersecting streets.

Lake Forest Erosion Control: There have been no changes to the project since the July 2011 Board meeting. The Board has authorized \$4,216,976 for this project, comprised of Areas A, B, and C. The County constructed Area A improvements in the summer of 2008. The County

completed the environmental documentation for Area B, and 75% design plans were released for review in the fall of 2010, with final construction documents anticipated in early 2012. Construction is scheduled to begin in the summer of 2012. The County completed construction of the SEZ restoration and wildlife enhancement portion of Area B in the fall of 2010, which provides a polishing treatment for storm water from the upper watershed. The County will resume planning for Area C when Area B nears completion.

Tahoe City Residential Erosion Control: There have been no changes to the project since the July 2011 Board meeting. The Board has authorized \$700,000 for this project, and construction was completed in the fall of 2011. The Conservancy and the County have coordinated with the Tahoe Resource Conservation District on private property BMP outreach efforts to maximize project effectiveness.

Conservancy staff is planning to restore a large Conservancy-owned parcel that contributes sediment to the project area. Conservancy staff initiated archeological investigations as required to prepare the environmental documentation, but the contract was terminated due to budget constraints. Once the environmental documentation is complete, Conservancy staff plans to complete the restoration using Conservancy crews.

West Sunnyside Erosion Control: There have been no changes to the project since the July 2011 Board meeting. The Board has authorized \$2,891,707 for this project. The County completed construction of Phase 1 in the fall of 2010. Final design for subsequent phases is underway, and funding for construction will be sought as the design progresses.

Unpaved Access Roads and Trails Erosion Control: There have been no changes since the July 2011 Board meeting. The Board authorized \$150,000 to NTPUD to address water quality issues associated with unpaved roads and trails that access NTPUD facilities. NTPUD is focusing current efforts on completing cultural and biological resource assessments needed to support environmental documentation. Once the environmental documentation is complete, NTPUD will finalize the engineered designs and construct the improvements. Construction will begin in 2012 or 2013, pending the availability of funding.

3. Natural Resources

Lower Blackwood Creek Restoration: This project is being implemented by the Conservancy on Conservancy-owned lands. The project is located along Blackwood Creek and includes Eagle Rock on the west shore of Lake Tahoe, north of Tahoma. The project will enhance aquatic and riparian habitat conditions and provide water quality benefits by reducing sediment sources in the watershed that contribute more fine sediment per acre than any other watershed in the Basin.

In 2005, the Board authorized \$500,000 for preliminary planning. The Board authorized an additional \$500,000 to complete planning in 2007. In March 2010, the Board adopted the Mitigated Negative Declaration for the project and authorized \$3,250,000 for final design and implementation. In April 2010, the State Public Works Board approved preliminary plans for the project.

The project team has completed final plans and specifications, and regulatory agencies have approved several permits. The State Department of General Services (DGS) held a competitive bidding process for the project, and bids were opened on January 26, 2012. DGS awarded the project contract to the lowest bidder, and construction activities at the site may begin as early as May 2012.

The project will be constructed in the 2012 construction season, but if unusual flow conditions or other challenging conditions arise, the construction may extend into 2013. The CCC completed the realignment of a popular but eroding trail accessing Eagle Rock under the direction of Conservancy staff in the summer of 2011.

The Conservancy signed an agreement with USACE to provide up to \$3,250,000 in federal funds to reimburse project-related expenses. To date, USACE has provided \$2,425,000 to reimburse planning and implementation costs. USACE sought an additional \$800,000 in Fiscal Year 2011 funds to cover implementation costs, but a congressional appropriation was not granted for the 2011 funding cycle. USACE intends to request a similar \$800,000 appropriation in the Fiscal Year 2012 to assist with project reimbursements. USACE funding will reimburse up to 75% of planning and implementation costs for restoration activities, excluding trail realignment. Through a competitive, statewide grant process, the

Conservancy received Proposition 84-funded CCC crews valued at \$77,310 to complete the trail work.

Lake Forest SEZ and Wildlife Enhancement Phase of the Lake Forest Erosion Control Project Area B: There have been no changes to this project since the December 2011 Board meeting. The Lake Forest Stream Environment Zone and Wildlife Enhancement Phase is a part of the larger Lake Forest Erosion Control Project Area B being implemented by Placer County. The project is approximately two miles east of Tahoe City, adjacent to Lake Tahoe and mostly on Conservancy-owned property. The SEZ and Wildlife Phase will restore a stream that has been placed in a culvert. The project enhances adjacent meadow, riparian, and aquatic habitats.

The Conservancy signed an agreement with USACE to provide \$2,075,000 in federal funds to reimburse implementation costs. This USACE funding was granted to the County at the May 2009 Board meeting. The County began construction in the fall of 2009 and completed the project in 2010 by connecting the new channel and abandoning the subsurface culvert.

Ward Creek Watershed Assessment and Restoration: There have been no changes since the December 2011 Board meeting. The Conservancy is implementing this project in coordination with LTBMU, DPR, Placer County, and Alpine Meadows Ski Resort (Alpine Meadows), among other entities. The project was initiated by the Conservancy in 2004, and the Board has authorized \$1,115,000 through four different annual Planning Authorizations for planning activities. The project area encompasses the entire 9.74-square-mile watershed located on the west shore of Lake Tahoe, south of Tahoe City.

The goal of the project is to assess the condition of the watershed and develop projects that will improve wildlife and fish habitat, SEZ health, and water quality within the watershed. Staff, with the assistance of consultants hired through DGS, completed the assessment and identified 24 potential sub-projects, in addition to the Ward Creek Dam Removal Project, for which the Board authorized \$18,000 in 2002 for an easement and \$375,000 in 2006 for implementation. The project is complete.

In 2007, the Conservancy began implementing the sub-projects located at least partially on Conservancy-owned lands. With encouragement from

Conservancy staff, Alpine Meadows made a significant effort to stop unauthorized off-highway vehicle (OHV) use on unpaved ski resort roads located on Conservancy-owned land. Additionally, as part of the new lease approved at the October 2011 Board meeting, Alpine Meadows has three years to complete the decommissioning, stabilization, and/or restoration of Conservancy-owned lands consistent with reasonable and prudent ski area standards that have been impacted by the resort's operations.

Conservancy crews constructed the main improvements of the Drainage and SEZ Restoration Project near the Stanford Rock Crossing in 2010. Some additional improvements were implemented in Fall 2011 and will continue in 2012. Monitoring and adaptive management will continue until at least 2013. All project work is being performed by Conservancy staff and crews, with assistance from consultants through DGS as needed. The Stanford Rock Road Project will restore proper hydrologic function to a wet meadow and wetland system that was significantly impacted by logging activities in the 1960s and 1970s.

4. Forest Habitat Enhancement

The Forest Habitat Enhancement Program focuses on preserving, enhancing, and restoring forested habitats on Conservancy property. These projects are designed to improve habitat, reduce fire threat, and promote natural processes. Staff worked with the North Tahoe Fire Protection District (NTFPD) to plan and implement the Conservancy's forestry activities in Placer County for the 2011 field season.

The Conservancy is engaged in various monitoring projects to determine the effectiveness of program activities. Between 2002 and 2006, the Conservancy and CalFire established a series of permanent forest inventory plots across Conservancy-owned lands. The Conservancy will use information derived from the inventory to aid in the development of management objectives and strategies. The Conservancy initiated a second round of data collection on these plots in 2009 and will continue the effort over the next several summers. Moving forward, the Conservancy will focus on monitoring plots within annual treatment units. Monitoring of songbird populations within current and planned project areas was initiated in 2009. Additional surveys took place in June and July 2011.

A total of 80 acres of Conservancy land has been completed for fuels reduction in Placer County in 2011. Projects were implemented both by NTFPD and the Conservancy.

North Tahoe Fire Protection District: Treatment on approximately 80 acres consisted of a combination of mechanical and hand thinning. Conservancy staff collaborated with NTFPD to plan, implement, and fund these projects through a variety of sources, including SNPLMA and U.S. Forest Service grants, as well as with direct Conservancy funds. Project areas included McKinney Creek and Regency Way. Depending upon the outcome of a Federal Emergency Management Agency (FEMA) grant proposal submitted by NTFPD in collaboration with the Conservancy, the agencies may implement the first year of urban lot fuel treatment of approximately 100 acres in 2012.

D. Major Conservancy Projects Recently Completed or in Progress, City of South Lake Tahoe

1. Public Access and Recreation

El Dorado Beach to Ski Run Boulevard Bike Trail and Lake Access Enhancement: The grant agreement with the City of South Lake Tahoe (City) terminated in June 2011. Nonetheless, Conservancy staff anticipates continued involvement with this project. With the assistance of TRPA and Tahoe Metropolitan Planning Organization staff, the City received construction funding via Caltrans due to excess funding available from the U.S. Highway 50 Water Quality Retrofit Project (Trout Creek to Ski Run Boulevard reach). Construction may begin in 2013 should all necessary easements be obtained. Two of the required easements are over Conservancy land within the project area. A bike trail easement over both parcels is being recommended at this month's Board meeting.

El Dorado Beach Lakefront Enhancement (Phase 2 of Lakeview Commons Project): The Conservancy awarded a \$6,000,000 site improvement grant to the City in January 2010, and the City held a groundbreaking ceremony on August 4, 2010. The first phase of construction began in May 2011 and will be nearly complete by Fall 2011, with minor site clean-up, landscaping, and "punch-list" items to be completed in early 2012.

The second phase of construction is not yet funded. Another four to five million dollars in capital funding is necessary to complete construction of the full design that has been permitted through local and regional entities. The City and El Dorado County have yet to develop a strategy to procure the additional funds.

Van Sickle Bi-State Park: Since its opening in July 2011, Van Sick Bi-State Park (Park) has become the long-envisioned walk-in attraction. While the Van Sickle Connector Trail to the Tahoe Rim Trail is not complete, the short hike to the waterfall has become a popular destination. An \$84,000 grant from the Van Sickle Foundation (administered by the Tahoe Rim Trail Association) is covering most of the Park's utility costs for the first five years. An additional, one-time award from the Tahoe Fund authorized \$25,000 toward operational costs. These and other Park partners, like the City's Explore Tahoe: An Urban Trailhead, are critical to the success of this South Shore recreation amenity.

2. Soil Erosion Control

The Board has authorized \$17,050,137 to the City for active erosion control projects. These projects improve water quality by addressing sources of sediment and stormwater runoff from public rights-of-way and by reducing the amount of sediment and nutrients delivered to Lake Tahoe.

Sierra Tract Erosion Control: The Board authorized \$4,717,884 for this multi-phased project. The City constructed Phase 2 in 2005, and this phase is complete. The City constructed Phase 1A in 2007 and completed construction of Phase 1B in November 2010, using ARRA funding. Construction of Phase 1C has been postponed due to lack of funding.

Phase 3 lies adjacent to U.S. Highway 50, so the City and Caltrans are coordinating the design of their adjacent water quality projects to efficiently address the stormwater runoff pollutants from both project areas. At this time, the City plans to complete design and preparation of environmental documents and permits in early 2013, with construction of Phase 3 anticipated in 2013, depending on the availability of funding. Phase 4 is being planned in conjunction with the City's Sierra Boulevard Streetscape Project, a comprehensive project proposed to include water

quality improvements, a bike trail, and neighborhood enhancements like sidewalks. Phase 5 will be pursued in the future as funding allows.

Rocky Point 3 and 4 Erosion Control: The Board authorized \$7,151,750 for this large multi-phased project. Phases 1 and 2 are complete. The City submitted its Final Report for the Conservancy's grant for Phases 3 and 4, and the grant is being closed out. The City plans to construct additional improvements to increase the effectiveness of this project using U.S. Forest Service funding in Summer 2012.

Al Tahoe Erosion Control: There have been no changes to this project since the December 2011 Board meeting. The Board authorized \$1,675,000 in May 2011 for implementation of the Al Tahoe Erosion Control Project 2. The City completed construction of Project 1 in 2010, funded entirely with LTBMU and ARRA funds. Project construction is scheduled for Project 2 in Summer 2012.

Bijou Erosion Control: The Board has authorized a total of \$2,288,526 for the project. The proposed Phase I of the project addresses the highest priority water quality problems in the Bijou Creek watershed by developing advanced treatment in the commercial core and by pursuing cooperative cost sharing between public and private contributors. The project team is currently working with these various public and private parties to develop and implement a shared funding strategy. The City has contracted for services with a financial planning firm to explore all options for potential agreements with private property owners who contribute funds to the treatment system. Property owners who choose to participate in the treatment system will receive a TRPA BMP compliance certificate in exchange for their involvement in this shared water quality facility.

Phase I of the erosion control project also includes the replacement of old and undersized pipes currently under the Bijou commercial core with properly-sized infrastructure to improve conveyance and stabilize the existing deteriorating pipe system. Replacing these pipes will assist the project in achieving its water quality objectives while also allowing the City to pursue future water quality improvements throughout the entire watershed. Securing the necessary easements is important for achieving the benefits associated with this component of the project. The Conservancy is working closely with the City to finalize the storm water

drainage easement acquisition for the parcel on which the Conservancy already holds a conservation easement.

A detailed feasibility study has been prepared for Phase I of the project, and this initial phase will likely be constructed in 2013 and 2014. The City has accepted \$4,735,000 from Caltrans for Phase I, and additional construction funds totaling \$5,197,000 have been awarded to this project from the SNPLMA program. The City is currently working with several property owners to secure the necessary easements and has applied for all project permits. In order to secure the Caltrans funding for project implementation, all permits and easements must be in place by June 2012. Caltrans is preparing to install the portion of the new culvert under U.S. Highway 50 in the summer of 2012, which would result in significant implementation cost savings for the City. Due to the complexities of the project, Conservancy senior management and the City Council are informed of all developments as they occur.

East Pioneer Erosion Control: The Board has authorized \$1,020,977 in planning funds for this project. Water quality monitoring is complete in the Keller Canyon portion of the project. City and Conservancy staff met in January 2012 and, based on the monitoring results that showed this area to be a low priority for treatment and the project's low ranking under the City's Capital Improvement Program, decided not to pursue erosion control improvements in the area at this time. The City is completing the pre-project monitoring report, and, after receipt and review of the report, Conservancy staff will work with City staff to close out this grant agreement.

Pollutant Load Reduction Strategy: There have been no changes since the September 2011 Board meeting. The Board authorized \$196,000 to the City to develop a pollutant load reduction strategy (PLRS) by identifying outfalls and estimating pollutant loads generated by each associated contributing watershed. The Conservancy and Lahontan received final PLRS deliverables in May 2009. In July 2011, the Conservancy approved an updated PLRS work plan to allow the City to refine their results using the Pollutant Load Reduction Model (PLRM). PLRS grant funds will be used to run the PLRM in watersheds outside of existing active project areas that have good potential for pollutant load reductions based upon the initial PLRS analysis. City projects with active planning grants (such as the Bijou and Sierra Tract Erosion Control

Projects) will use their project-specific planning funds to run PLRM and analyze the results. Modeled watersheds will be prioritized based upon identified opportunities and constraints for pollutant load reductions.

3. Natural Resources

Upper Truckee River Airport Reach: The Board authorized planning grants for this project to the City for \$600,000 in September 2003 and \$799,500 in December 2004. The Board authorized a site improvement grant in the amount of \$4,500,000 to the City in May 2008. The City also received a grant of \$2,000,000 from the U.S. Bureau of Reclamation. The Conservancy has received funds from USACE to reimburse up to \$1,500,000 in planning, monitoring, and construction management costs.

The project is located on the Upper Truckee River, on City property adjacent to the South Lake Tahoe Airport. The project restores natural river processes, resulting in enhanced SEZs, improved terrestrial and aquatic habitat, and improved water quality.

After postponing the project one year to allow vegetation establishment, the project construction was completed in the Fall of 2011. The old channel has been filled, and the new channel is now active. Irrigation will continue through next year to establish newly-planted vegetation.

Upper Truckee River, Middle Reaches 1 and 2, SEZ and Wildlife Enhancement: There have been no changes to this project since the December 2011 Board meeting. This project has been temporarily placed on hold to pursue full fee acquisition of this meadow SEZ property. Conservancy acquisition of the property would improve the restoration and public access opportunities onsite and would provide a critical linkage between the largely publicly-owned Upper Truckee River meadow and floodplain areas. Restoration planning will resume once the future potential project and status of the acquisition are more clearly understood.

The project site is located downstream of the Lake Tahoe Airport, upstream of U.S. Highway 50 in South Lake Tahoe, and adjacent to the Sierra Tract Subdivision. The majority of the project area is currently located on private property, so project construction would require the

acquisition of a river restoration easement if the full fee acquisition is not completed.

The project aims to improve water quality by filling a highly erosive gully channel in the meadow that formed during the flood of 1997. The project also includes bank stabilization treatments and habitat improvements along the main channel of the river. Depending on the outcome of the acquisition discussions, additional restoration and public access features may be incorporated into the project design as appropriate.

Upper Truckee Marsh Restoration: To date, the Board has authorized \$6,500,000 for project planning and design, and \$10,500,000 for the implementation of the first phase of the project, the Lower West Side Project. This project is located at the mouth of the Upper Truckee River on the south end of Lake Tahoe and is being implemented by the Conservancy primarily on Conservancy-owned lands. The objectives of the project include enhancing sensitive wetland habitat, restoring natural hydrologic processes, improving water quality, and providing recreational opportunities. The Upper Truckee Marsh filters all runoff from the two largest watersheds in the Tahoe Basin, and its restoration is likely to be one of the most significant actions leading to the improved clarity of Lake Tahoe.

In September 2010, the Board authorized the expenditure of an additional \$562,000 and the acceptance of up to \$1,162,000 in federal reimbursements from the U.S. Bureau of Reclamation to fund the completion of preliminary plans and environmental review. The Conservancy, with assistance from consultants hired by DGS, has developed four alternatives, and all are under environmental review. A screen check draft EIR/EIS has been completed, and release of a public draft of the document is scheduled for Spring 2012.

4. Forest Habitat Enhancement

The Forest Habitat Enhancement Program focuses on restoring forested habitats on Conservancy property. Projects are designed to improve habitat, reduce fire threat, and promote natural processes. Staff worked with the City of South Lake Tahoe Fire Department (SLTFD) to plan and implement the forestry activities on 32 acres during the 2011 field season.

The Conservancy is engaged in various monitoring projects to determine the effectiveness of program activities. Between 2002 and 2006, the Conservancy and CalFire established a series of permanent forest inventory plots across Conservancy ownership, including Conservancy lands in the City. The Conservancy will use information derived from the inventory to aid in the development of management objectives and strategies. The Conservancy initiated a second round of data collection on these plots in 2009 and will continue the effort over the next several summers. Monitoring of songbird populations within current and planned project areas was initiated in 2009. Additional surveys were conducted in June and July 2011.

City of South Lake Tahoe Fire Department: Treatment consisted of a combination of tracked chipper and hand thinning on approximately 32 acres. Staff worked collaboratively with SLTFD to plan, implement, and fund these projects through a variety of sources, including SNPLMA and U.S. Forest Service grants, as well as with direct Conservancy funding. Project areas for 2011 included the City Area 1 in the Gardner Mountain and Tahoe Island areas of South Lake Tahoe.

5. Proposed Land Exchange

Conservancy and City staff have developed a proposed land exchange that assists both agencies with meeting their strategic program objectives. The Conservancy would transfer approximately 1.2 acres of commercially zoned property to the City in return for approximately 32.7 acres that can assist the Conservancy with meeting land bank and Upper Truckee Marsh restoration objectives. The Conservancy would transfer the recently-acquired former Unocal property along Lake Tahoe Boulevard (authorized for purchase by the Conservancy in September 2011) and land at the corner of Modesto and Harrison Avenues to the City in return for the former drive-in movie theater along Glenwood Way and land within the Upper Truckee River floodplain west of Sunset Drive. The transaction will involve land and/or monetary assets of equal value, based upon independent appraisals. This land exchange proposal is being presented to the Conservancy Board at this meeting.

E. Urban Land Management Program

1. Special Use Requests

Pursuant to Board authority dated January 20, 2011, staff is authorized to enter into license agreements consisting of three years or less provided the Board is notified. Staff is providing notice of five recent licenses as described below.

a. Very short-term (one-day) license granted to the Tahoe Rim Trail Association (TRTA), executed on January 7, 2012: The Tahoe Rim Trail Association is hosting the National Winter Trails Day on Conservancy-owned property at Van Sickle Bi-State Park. The fee for this license is \$25.00. TRTA provided insurance listing the Conservancy as additional insured.

b. Short-term (three-year) license granted to the TRTA executed on January 28, 2012: In anticipation of a wide variety of year-round events and activities to be hosted by TRTA at Van Sickle Bi-State Park, the Conservancy entered into an agreement that would capture most of these events over a three-year period. TRTA will provide a minimum two-week notice and description of upcoming events. The fee for this license is \$25.00 TRTA provided insurance listing the Conservancy as additional insured.

2. Upper Truckee Marsh

The 2011 Seasonal Dog Closure ended on July 31, 2011, and City and County leash ordinances are currently in effect. The 2012 Seasonal Closure will once again go into effect from May 1 through July 31.

F. Biomass Utilization Strategy

Fire protection agencies and land managers in the Basin have recognized the need to develop a strategy to utilize biomass resulting from forest health and hazardous fuels treatment activities. As a result, representatives from these organizations, as well as from regulatory agencies and other organizations with expertise in biomass utilization, formed a Biomass Working Group. The Conservancy and the Nevada Fire Safe Council (NVFSC) provided funding to hire consultants to convene meetings of the Biomass Working Group and to develop an initial draft of a Biomass Utilization Strategy (Strategy).

The Biomass Working Group met several times during the first half of 2010 with the consultants to provide data on past fuels and forest treatments and to provide information on planned future fuels and forest treatments and their potential for generating recoverable biomass. The consultants, with support from NVFSC and Conservancy staff, prepared an initial draft of the Strategy. Conservancy staff, with limited support from the consultants, conducted two reviews of the draft Strategy with the Biomass Working Group in 2010. Conservancy staff incorporated comments received from the Biomass Working Group into a final Strategy draft. In January and February 2011, executives from the land management agencies and fire protection agencies, representatives from El Dorado and Placer Counties, and other interested organizations reviewed the final Strategy draft. Conservancy staff incorporated comments from that review and initiated discussions with interested parties concerning the development of an implementation plan for the Strategy.