



**June 11, 2025**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Environmental Mitigation Program Endowment Fund Investment Report for March 31, 2025

### **Overview**

The Orange County Transportation Authority has developed a Natural Community Conservation Plan/Habitat Conservation Plan, acquired conservation properties, and funded habitat restoration projects to mitigate the impacts of Measure M2 freeway programs. The California Community Foundation manages the non-wasting endowment required to fund the long-term management of the conservation properties. Each quarter, the California Community Foundation publishes a comprehensive report detailing the composition of the pool and its performance.

### **Recommendation**

Receive and file as an information item.

### **Background**

On September 26, 2016, the Board of Directors approved the selection of the California Community Foundation (CCF) as an endowment fund manager for the Measure M2 Freeway Environmental Mitigation Program. Annually, approximately \$2.9 million will be deposited in the endowment. These annual deposits are expected over a ten-to-twelve-year period, or until the fund totals approximately \$46.2 million. As of March 31, 2025, the Orange County Transportation Authority (OCTA) has made nine deposits to the CCF Endowment Pool (Pool), each in the amount of \$2,877,000.

### ***Discussion***

As of March 31, 2025, total assets in the Pool stood at \$1.15 billion (Attachment A), with total foundation assets at \$2.43 billion. Pool performance lagged the Blended Benchmark in both short- and mid-term periods (up to ten years) but closely aligned with the benchmark over the 20-year horizon.

The endowment balance as of March 31, 2025, was \$32,538,437, slightly above the target of \$32,125,598 for the third quarter of fiscal year (FY) 2024-25. Based on the CCF's performance to date, OCTA remains on track to meet the endowment target of \$46.2 million in FY 2027-28 (Attachment C). The total endowment portfolio declined by 0.2 percent for the quarter but increased by 4.5 percent over the trailing one-year period.

During the quarter, United States (U.S.) and global equity markets declined amid heightened economic uncertainty stemming from the Trump administration's broad tariffs, raising fears of a trade war with China. Despite the volatility, performance broadened across regions and sectors, creating opportunities for active managers. Notably, 60 percent of Standard and Poor's 500 stocks outperformed the index, and international markets, particularly China and Europe, outpaced U.S. equities. The Eurozone showed resilience, supported by increased defense spending and a rebound in the banking sector. The Federal Reserve acknowledged a more uncertain outlook, lowering its 2025 U.S. Gross domestic product growth forecast from 2.1 percent to 1.7 percent and raising its inflation projection to 2.7 percent. Credit market yields remained attractive, though wider spreads reflected macro concerns tied to tariffs and slowing growth expectations. Looking ahead, the CCF remains confident that its active equity managers are well positioned to outperform global benchmarks over the long term.

Diversification, strategic asset allocation, and appropriate sizing of investments within the endowment portfolio remain the primary strategies to protect the portfolio from outsized volatility.

### ***Summary***

The Orange County Transportation Authority is submitting a copy of the California Community Foundation Investment for the quarter ended March 31, 2025.

***Attachments***

- A. California Community Foundation Endowment Pool Investments – March 31, 2025
- B. California Community Foundation Fund Statement – 1/1/2025 – 3/31/2025
- C. EMP Portfolio Performance – Actual/Projection vs. Target

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