



**August 24, 2022**

**To:** Finance and Administration Committee

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

**Subject:** Environmental Mitigation Program Endowment Fund Investment Report for June 30, 2022

**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 June 30, 2022, the Orange County Transportation Authority (OCTA) has made six deposits to the CCF Endowment Pool, each in the amount of \$2,877,000.

***Discussion***

Per Attachment A, as of June 30, 2022, total pool assets in the CCF Endowment Pool were \$1.16 billion. Total foundation assets were \$2.30 billion. Performance for the CCF Endowment Pool was below the benchmark in the short-term horizon of up to five years. Over the longer time frame, the CCF Endowment Pool has exceeded the benchmark in the ten-to-twenty-year time periods. Based on CCF's performance to date, OCTA remains on track to meet the endowment target of \$46.2 million in fiscal year (FY) 2027-28.

Per Attachment B, the balance as of June 30, 2022, was \$19,332,924. The balance is below the FY 2021-22 target of \$20,076,431. Volatility remained elevated during the quarter led by rising global inflation, aggressive central bank tightening, geopolitical tensions, and rising cases of the Omicron coronavirus variant. Fixed-income performance was down for the quarter as interest rates climbed higher, while United States equities also ended the quarter down, even more than the first quarter 2022, underperforming other developed markets. Diversification, asset allocation, and appropriate sizing of underlying investments in the endowment portfolio are the main methods to protect the portfolio from outsized volatility.

***Summary***

The Orange County Transportation Authority is submitting a copy of the California Community Foundation Investment Report to the Board of Directors. The report is for the quarter ending June 30, 2022.

***Attachments***

- A. California Community Foundation Endowment Pool Investments – June 30, 2022
- B. California Community Foundation Fund Statement – 4/1/2022 – 6/30/2022

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