



**November 30, 2022**

**To:** Finance and Administration Committee

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

**Subject:** Environmental Mitigation Program Endowment Fund Investment Report for September 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 September 30, 2022, the Orange County Transportation Authority (OCTA) has made seven deposits to the CCF Endowment Pool, each in the amount of \$2,877,000.

***Discussion***

Per Attachment A, as of September 30, 2022, total pool assets in the CCF Endowment Pool were \$1.09 billion. Total foundation assets were \$2.25 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 September 30, 2022, was \$21,276,964. The balance is below the FY 2022-23 target of \$24,015,673. Volatility remained elevated during the quarter driven by the effects of decades-high inflation, aggressive interest rate increases by the Federal Reserve and other major central banks, rising risks of recession, lingering impacts from the pandemic, and Russia's invasion of Ukraine. Fixed-income performance was down for the quarter as interest rates continued to climb higher, while United States equities hit a new bear market low, recording their worst performance since 2002. 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 September 30, 2022.

***Attachments***

- A. California Community Foundation Endowment Pool Investments – September 30, 2022
- B. California Community Foundation Fund Statement – 7/1/2022 – 9/30/2022

**Prepared by:**



Robert Davis  
Department Manager,  
Treasury and Public Finance  
714-560-5675

**Approved by:**



Andrew Oftelie  
Chief Financial Officer  
Finance and Administration  
714-560-5649