



December 3, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Environmental Mitigation Program Endowment Fund Investment Report for September 30, 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 is 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, 2025, the Orange County Transportation Authority (OCTA) has made ten deposits to the CCF Endowment Pool (Pool), each in the amount of \$2,877,000.

Discussion

As of September 30, 2025, total assets in the Pool stood at \$1.20 billion (Attachment A), while foundation assets totaled \$2.59 billion. Pool performance lagged the Blended Benchmark over the short- and mid-term periods (up to ten years) but remained closely aligned with the benchmark over the 20-year horizon.

The endowment balance as of September 30, 2025, was \$38,595,652, exceeding the target of \$35,788,429 for the first quarter of fiscal year (FY) 2025-26. 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 increased by 4.49 percent for the quarter and nine percent over the trailing one-year period.

Global equities advanced strongly in the first quarter of FY 2025-26, supported by sustained optimism around artificial intelligence and a resilient economic backdrop. The Standard & Poor's 500 rose 8.1 percent for the quarter and 14.8 percent year-to-date, led by a narrow group of "*Magnificent 7*" stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla). Earnings growth and the Federal Reserve's 25-basis-point rate cut, marking the start of an easing cycle, fueled gains in U.S. markets. Policy easing and currency appreciation also lifted markets in China and Europe, while emerging markets delivered mixed results.

The Pool's performance reflected the broader market trends of the quarter as discussed above. Equity holdings delivered strong absolute returns but modestly trailed the benchmark due to a more diversified positioning that avoided concentrated exposure in a few large technology companies. Fixed income results were consistent with the benchmark, supported by prudent liquidity management. Overall, the Pool remains well diversified, balancing growth opportunities with risk control to support long-term investment objectives.

Diversification, strategic asset allocation, and appropriately sized investments within the endowment portfolio remain the primary strategies to safeguard the portfolio against outsized volatility while supporting long-term performance objectives.

Summary

The Orange County Transportation Authority staff is submitting a copy of the California Community Foundation Investment Report for the quarter ended September 30, 2025.

Attachments

- A. California Community Foundation Endowment Pool Investments – September 30, 2025
- B. California Community Foundation Fund Statement – 7/1/2025 – 9/30/2025
- C. Environmental Mitigation Program Portfolio Performance – Actual/Projection vs. Target

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