



September 25, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Environmental Mitigation Program Endowment Fund Investment Report for June 30, 2024

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, 2024, the Orange County Transportation Authority (OCTA) has made eight deposits to the CCF Endowment Pool (Pool), each in the amount of \$2,877,000.

Discussion

As of June 30, 2024, total assets in the Pool were \$1.17 billion (Attachment A). Total foundation assets were \$2.37 billion. Performance for the Pool was below the Blended Benchmark (Benchmark) in both the short- and mid-term horizon of up to ten years. However, over the 20-year time frame, the Pool closely mirrored the performance of the Benchmark.

The balance as of June 30, 2024, was \$28,424,735 (Attachment B). The balance is slightly above the target of \$28,150,793 for fiscal year (FY) 2023-24. Based on the CCF's performance to date, OCTA is on track to meet the endowment target of \$46.2 million in FY 2027-28 (See Attachment C). The total Endowment portfolio was up 0.2 percent for this quarter and 7.3 percent for the FY. Equity markets continued to rally this quarter, primarily driven by a few mega-cap technology companies with a mega-cap company being a company with a market value over \$200 billion. Meanwhile, treasury yields have been elevated, causing the fixed-income market to underperform due to volatile expectations regarding the future path of interest rates. As a result, the overall annual portfolio performance has lagged behind the Benchmark, primarily due to the market's concentration in mega-cap stocks, contributing to the diversified portfolio's relative underperformance. Diversification, asset allocation, and appropriate sizing of underlying investments in the endowment portfolio are the main strategies to protect the portfolio from outsized volatility.

Summary

The Orange County Transportation Authority is submitting a copy of the California Community Foundation Investment June 30, 2024.

Attachments

- A. California Community Foundation Endowment Pool Investments – June 30, 2024
- B. California Community Foundation Fund Statement – 4/1/2024 – 6/30/2024
- C. EMP Portfolio Performance – Actual/Projection vs. Target

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