



June 14, 2023

To: Finance and Administration Committee

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

Subject: Environmental Mitigation Program Endowment Fund Investment Report for March 31, 2023

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, 2023, 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 March 31, 2023, total pool assets in the CCF Endowment Pool were \$1.13 billion. Total foundation assets were \$2.33 billion. Performance for the CCF Endowment Pool exceeded the blended benchmark (Benchmark) for the one-year time period, while underperforming the Benchmark for the three-to-five-year time periods. Over the longer time frame, the CCF Endowment Pool was in-line with the Benchmark in the ten-year time period, while slightly underperforming the Benchmark in the 20-year time period.

Per Attachment B, the balance as of March 31, 2023, was \$23,112,620. The balance is below the target of \$23,750,112 for the third quarter of fiscal year (FY) 2022-23. However, 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). A decline in United States (U.S.) Treasury yields during the quarter led to positive returns for both fixed-income and equity markets. Gold, non-U.S. developed-market equities, and large cap growth stocks experienced the highest returns, while longer maturity bond categories posted the best fixed-income gains. 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 March 31, 2023.

Attachments

- A. California Community Foundation Endowment Pool Investments – March 31, 2023
- B. California Community Foundation Fund Statement – 1/1/2023 – 3/31/2023
- C. EMP Portfolio Performance – Actual vs. Projection

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