



***June 8, 2022***

***To:*** Finance and Administration Committee

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

***Subject:*** Environmental Mitigation Program Endowment Fund Investment Report for March 31, 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 March 31, 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 March 31, 2022, total pool assets in the CCF Endowment Pool were \$1.30 billion. Total foundation assets were \$2.54 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 matched or 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 March 31, 2022, was \$21,042,295. The balance is above the FY 2021-22 target of \$20,076,431. United States economic conditions weakened throughout the quarter, highlighted by rising interest rates, surging inflation pressures, ongoing supply-chain issues, and the Russia-Ukraine war. Fixed income performance for the quarter was strongly down, and, despite a strong rally in March, equity markets faced a turbulent quarter, also ending down for the quarter. 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 March 31, 2022.

***Attachments***

- A. California Community Foundation Endowment Pool Investments – March 2022
- B. California Community Foundation Fund Statement – 1/1/2022 – 3/31/2022

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