



**March 13, 2019**

**To:** Finance and Administration Committee

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

**Subject:** Environmental Mitigation Program Endowment Fund Investment Report for December 31, 2018

**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 projects. California Community Foundation manages the non-wasting endowment required to pay for 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. Attached is the quarterly investment report for the Endowment Pool for the period ending December 31, 2018. The report has been reviewed and is consistent with the pool objectives.

**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. Approximately \$2.9 million on an annual basis will be deposited in the endowment. As of December 31, 2018, the Orange County Transportation Authority has made three deposits to the Endowment Pool, each in the amount of \$2,877,000. These annual deposits are expected to continue for ten to 12 years, or until the fund totals approximately \$46.2 million.

***Discussion***

As of December 31, 2018, total pool assets in the CCF Endowment Pool were \$1.015 billion. Total foundation assets were \$1.66 billion. Performance for the Endowment Pool was -4.3 percent for the month, 0.2 percent below the benchmark; -8.0 percent for the quarter, exceeding the benchmark by 0.2 percent. The one-year return was -4.8 percent, exceeding the benchmark by 1.6 percent.

The balance as of December 31, 2018, was \$8,568,159. This balance is less than the projected balance of \$9,097,957 due to the poor performance of equities in the fourth quarter of 2018. Equities fell by more than ten percent in the fourth quarter based on volatility in the stock market due to uncertainty caused by trade disputes, rising interest rates and the slowing global economy. Despite the poor performance of equities in the fourth quarter the stock market rebounded in January. Though not part of the fourth quarter results, based on the rebound of the stock market in January the endowment balance as of January 31, 2019, was \$9,009,153, which puts the balance near the December 31, 2018 projected balance.

The projected annualized cost for administration services for the endowment was 0.75 percent based on indications received during the due diligence process. Based on the current balance of the endowment the cost for administration services is 0.25 percent.

***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 December 31, 2018.

***Attachments***

- A. California Community Foundation Fund Statement - December 31, 2018
- B. California Community Foundation Endowment Pool Investments – December 31, 2018

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