



September 10, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

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

Discussion

As of June 30, 2025, total assets in the Pool were \$1.20 billion (Attachment A), while foundation assets totaled \$2.54 billion. Pool performance lagged the Blended Benchmark (Benchmark) over the short- and mid-term periods (up to ten years) but was closely aligned with the benchmark over the 20-year horizon.

The endowment balance as of June 30, 2025, was \$34,085,302, above the target of \$32,491,533 for fiscal year (FY) 2024-25. 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 4.76 percent for the quarter and 9.2 percent over the trailing one-year period.

The final quarter of FY 2024-25 was marked by significant geopolitical events and policy shifts. Markets initially declined sharply before staging the fastest recovery in history, resulting in a 10.9 percent gain in The Standard and Poor's 500. Technology and growth stocks, particularly the Magnificent 7 (Alphabet Inc., Amazon.com, Inc., Apple Inc., Meta Platforms, Inc., Microsoft Corporation, Nvidia, Inc., and Tesla, Inc.), rebounded strongly; however, market gains were more broadly distributed than in previous years. International equities also posted strong returns (MSCI All Country World Index: +11.5 percent), fueled by policy support in Europe and China and aided by a weaker US dollar. The Federal Reserve held rates steady but signaled possible rate cuts later this year, though inflation or political pressure may influence that trajectory.

In this environment, the Pool's fixed income fund gained 4.0 percent, outperforming its benchmark. The Pool increased allocations to cash and fixed income to manage risk and maintain flexibility. The public equity portfolio rose 7.6 percent, trailing its benchmark, while international and emerging markets managers contributed strongly, underscoring the value of diversification. Overall, the Pool maintained a resilient posture in a volatile yet ultimately rewarding market.

Diversification, strategic asset allocation, and appropriate sizing of investments within the endowment portfolio remain the primary strategies to protect the portfolio from outsized volatility.


Summary

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

Attachments

- A. California Community Foundation Endowment Pool Investments – June 30, 2025
- B. California Community Foundation Fund Statement – 4/1/2025 – 6/30/2025
- C. Environmental Mitigation Program Portfolio Performance – Actual/Projection vs. Target

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