



**February 28, 2024**

**To:** Finance and Administration Committee

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

**Subject:** Environmental Mitigation Program Endowment Fund Investment Report for December 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 December 31, 2023, 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 December 31, 2023, total assets in the Pool were \$1.16 billion (Attachment A). Total foundation assets were \$2.35 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 December 31, 2023, was \$27,593,905 (Attachment B). The balance is slightly above the target of \$27,521,733 for the second quarter of fiscal year (FY) 2023-24. Based on CCF's performance to date, OCTA is on track to meet the endowment target of \$46.2 million in FY 2027-28 (Attachment C). This quarter witnessed a substantial rally in equities as the ten-year Treasury yield fell precipitously. The gains were primarily driven by increased investor confidence, stemming from the belief that the Federal Reserve Board had finished its campaign of raising interest rates to combat inflation. In fact, there was growing optimism that the Federal might begin cutting interest rates in the upcoming months. Continued strength in the job market and robust consumer spending also fueled strong economic growth and corporate profits that helped push equity prices higher. 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 December 31, 2023.

***Attachments***

- A. California Community Foundation Endowment Pool Investments – December 31, 2023
- B. California Community Foundation Fund Statement – 10/1/2023 – 12/31/2023
- C. EMP Portfolio Performance – Actual/Projection vs. Target

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