



TEXAS DEPARTMENT OF STATE HEALTH SERVICES

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COMMISSIONER

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April 8, 2014

The Honorable Keith Self
Collin County Judge
2300 Bloomdale Rd
McKinney, TX 75071

Dear Judge Self:

This is to notify you that the Texas Department of State Health Services certified to the State Comptroller of Public Accounts the pro rata share to be distributed to political subdivisions in 2014. Your 2014 payment from tobacco settlement proceeds is calculated to be \$186,372.20. The Comptroller intends to transmit the payment this month.

Thank you for the timely submission of your expenditure statement, and please feel free to contact Anne Stokay at 512.776.2591 or DSHSTobacco@dshs.state.tx.us, with any questions concerning this distribution.

Best Regards,

A handwritten signature in black ink, appearing to read "Elaine McHard", enclosed within a large, hand-drawn oval.

Elaine McHard
Manager, Funds Coordination and Management Branch
Chief Financial Office

cc: Collin County Judge

Memorandum

To: Political subdivisions eligible to receive annual distributions from the Tobacco Settlement Permanent Trust Account

From: Stuart Ford, Chairman
On behalf of the Tobacco Settlement Permanent Trust Account Investment Advisory Committee (“Committee”)

Date: March 26, 2014

Subject: Plan for no distribution increase in 2015

I am pleased to inform you that investment returns on the Trust were sufficient to help the Committee meet its goal of matching last year’s distribution and to make a good start at rebuilding the “rainy day fund” that supplements distributions during times of poor market conditions. That continues to be our goal. As we work to rebuild the Trust from the damage caused by the 2008 financial crisis, the Committee advises you to continue to plan for no increase in annual distributions for the time being.

One of the objectives of the Trust is to maintain a stable, predictable annual distribution. That is why it has a Distribution Stabilization Account (“DSA”), which serves as a “rainy day fund” to supplement annual distributions when earnings are depressed. After accounting for the contribution we were able to make this year, the DSA remains 58% below its level prior to the 2008 financial crisis. That is why it remains the Board’s intent to try and hold distributions at their current level for now, and to use any excess earnings to rebuild the DSA balance. It is important to keep this distribution-leveling tool available to manage through turbulent markets in the future.

The Trust Account is a permanent endowment and its purchasing power must be preserved so that future generations benefit equally relative to those of today. While the U.S. economy is undergoing a slow recovery, the global macroeconomic environment remains somewhat fragile and potentially disruptive geopolitical risks continue to emerge. This uncertainty increases market volatility and creates investment challenges. The Trust investment portfolio continues to be positioned conservatively, with a focus on downside protection and preservation of capital.

We hope this guidance is helpful to your planning process. If you have questions about the Trust, please contact Paul Ballard, CEO and Chief Investment Officer of the Texas Treasury Safekeeping Trust Company. He may be reached at (512) 463-4300. Thank you.