



## STATE BOARD OF EQUALIZATION

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August 25, 2010

Finance Officer  
 City of "City Name"  
 Mailing Address.  
 City, CA Zip Code

TAC #####

Dear Finance Officer,

Negative Adjustment  
Third Advance - Scheduled for August 2010

This letter is to inform you that your jurisdiction's August 2010 Advance was subject to an adjustment of -5.4% applied to the Second Quarter 2010 Advances. The August 2010 Advance adjustment for your jurisdiction was a negative \$ \_\_\_\_\_ which results in an Adjusted Advance amount of \$ \_\_\_\_\_. The following is an explanation of the Local Revenue Unit's efforts to identify the Second Quarter 2010 impact upon revenues due local jurisdictions prior to adjusting the August 2010 Advance.

As you already know, economic conditions continue to cause a dramatic decline in taxable sales activity amongst various industries reporting sales tax revenues when compared to prior like periods. When the advances for the Second Quarter 2010 were finalized in June, 2010, we applied a flat growth factor since the first prepayment for Second Quarter 2010 sales and use tax collections statewide revealed a decline in cash receipts of 5.4%. A subsequent review of the statewide cash receipts for all of Second Quarter 2010 disclosed that there was an overall decline in sales and use tax collections of approximately 10.4%. (Note: This percentage is taking into account the 1% increase going directly to the state).

In addition, a comparison of First Quarter 2010 Sales and Use Tax returns was made with First Quarter 2009 Sales and Use Tax returns for all jurisdictions. Where the percentage decrease in revenues for a given jurisdiction was greater than 6%, an adjustment of -5.4% was applied to the normalized allocation and deducted from the August 2010 advance payment. However, if the percentage decrease in revenues for a given jurisdiction was equal to or less than -6%, no adjustment was made to the scheduled advance for the jurisdiction.

We believe this action was necessary to avoid over-advancing sales and use tax dollars to a point that would impact future payments to your jurisdiction as well as those of your neighboring communities. Given the continuing economic situation, we anticipate making adjustments to future advances.

If you have any questions, please call Sonia Calistro or Jim Kendrick at (916) 324-3000 or by email at EWGroup@boe.ca.gov.

Sincerely,

L. D. Micheli  
 Supervisor, Local Revenue Allocation Unit