



JOHN CHIANG
California State Controller

August 13, 2010

Wendy L. Watanabe
Auditor – Controller
County of Los Angeles
500 West Temple Street, Room 525
Kenneth Hahn Hall of Administration
Los Angeles, CA 90012

Dear Ms. Watanabe:

During the course of my audit of the financial affairs of the City of Bell, my auditors have discovered an issue that requires immediate attention.

It appears that on July 23, 2007, the City Council of Bell passed Resolution No. 2007-42 (copy attached) to increase the level of tax being assessed to pay the City of Bell's pension obligations from .187554% to the following:

For 2007-08 - .237554%
For 2008-09 - .257554%
For 2009-10 - .277554%

These increased rates were assessed by your office during the years cited. However, we have determined that the tax levies approved by the City Council of Bell through Resolution No. 2007-42 are unallowable under Revenue and Taxation Code section 93.31(b). Under this section, the City of Bell has no authority to levy a property tax rate greater than the rate imposed in the Fiscal Year 1982-83 or Fiscal Year 1983-84. The estimate of the unallowable taxes assessed during the fiscal years of 2007-08, 2008-09 or 2009-10 is \$2.9 million (see attached).

Additionally, under Revenue and Tax Code section 96.31(d), the County Auditor of Los Angeles is required to reduce the City of Bell's tax levy for pension obligations to the amount allowable - .187554%. The law also requires that the overpayment of unallowable taxes collected must be allocated to elementary, high school, and unified school districts within the City of Bell in proportion to the average daily attendance of each district.

Therefore, I request that you review this matter and take immediate actions to ensure that the taxpayers of the City of Bell are not further burdened with what appears to be an improper property assessment.

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In order to remedy this situation, the property tax levy for the City of Bell pension obligation during Fiscal Year 2010-11 should be reduced to .187554%. Also, any amounts collected above the allowable rate of .187554 during the three years identified should be calculated and reallocated to the elementary, high school and unified school districts within the City of Bell in accordance with the requirements of Revenue and Tax Code section 96.31(d).

If you have any questions, please contact Jeffrey V. Brownfield, Chief, Division of Audits at (916) 324-1696.

Sincerely,
Original signed by:

JOHN CHIANG
California State Controller

cc: Pedro Carrillo, City of Bell Interim City Administrative Officer
Mark Saladino, Treasurer, Los Angeles County
Robert Quon, Assessor, Los Angeles County