

TO: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER

FROM: PETER V. SEVCIK *P.V.S.*
DISTRICT ENGINEER

DATE: JANUARY 18, 2012

**AGENDA ITEM
E-1
JANUARY 25, 2012**

**AUTHORIZE CHANGE ORDER FOR
SOUTH FRONTAGE ROAD TRUNK SEWER REPLACEMENT PROJECT**

ITEM

Authorize Change Order for South Frontage Road Trunk Sewer Replacement Project to R. Baker, Inc. in the amount of \$77,933 [RECOMMEND BY MOTION AND ROLL CALL VOTE AUTHORIZE CHANGE ORDER FOR SOUTH FRONTAGE ROAD TRUNK SEWER REPLACEMENT PROJECT TO R. BAKER INC. IN THE AMOUNT OF \$77,933].

BACKGROUND

The South Frontage Road Trunk Sewer Replacement Project (Trunk Sewer Project) involves the replacement of approximately 4300 linear feet of sewer line in Frontage Road between Division Street and the Southland WWTF influent pump station. The work also includes the installation of replacement manholes with a corrosion protection coating. The Board selected R. Baker, Inc. in July 2011 as the lowest responsive and responsible bidder for the project and awarded the construction contract to R. Baker in the amount of \$1,459,236. Construction began in September 2011 and is tentatively scheduled to be completed in March 2012.

The District's 2007 Water and Sewer Master Plan recommends that the District budget approximately \$90,000 per year for repair and/or replacement of sanitary sewer manholes in order to maintain the Town Sewer Division's approximately 600 manholes in serviceable condition. District staff has identified 14 existing manholes in the vicinity of the Trunk Sewer Project area where the corrosion protection coating needs to be replaced. District staff asked R. Baker to provide a proposal to repair the manholes as necessary and recoat the manholes with the same coating system specified for the Trunk Sewer Project. Performing this work concurrently with the Trunk Sewer Project will result in cost savings to the District related to contractor mobilization costs as well as contract administration costs.

FISCAL IMPACT

The FY 11-12 Budget includes \$90,000 for manhole rehabilitation in Fund 810, Town Sewer Funded Replacement.

RECOMMENDATION

Staff recommends that the Board, by motion and roll call vote, authorize the General Manager to issue a change order in the amount of \$77,933 to R. Baker, Inc. for the South Frontage Road Trunk Sewer Project for repair and recoating 14 existing manholes.

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER
DATE: JANUARY 20, 2012



STRATEGIC PLAN REVIEW

ITEM

Review District Strategic Plan [RECOMMEND REVIEW STRATEGIC PLAN AND BY MOTION AND ROLE CALL VOTE, APPROVE REVISIONS, IF ANY, OR PROVIDE DIRECTION TO STAFF]

BACKGROUND

In July 2009, your Board adopted the 2010 – 2014 Strategic Plan. In May 2010, your Board adopted the 2010 Strategic Plan Update. On March 9, 2011, your Board approved the 2011 Update of the plan.

Attached for reference is Table 1-The Strategic Plan "At a Glance" from the 2011 Update.

The General Manager is primarily responsible for implementing the District Strategic Plan. The District senior management staff; namely Assistant General Manager, District Engineer, and Utility Superintendent, directly assist the effort.

The District's 2011-2012 Fiscal Budget includes \$8.1 million in budgeted operations and maintenance expenditure and \$9.9 million dollars in budget capital improvement expenditure. Collectively, the four-person management team is managing \$18 million dollars of expenditure. District General Counsel provides significant assistance in this effort.

Currently the District has three capital projects under construction/under way (Willow Road Phase II, South Frontage Sewer Trunk Upgrade, SCADA Upgrade). The \$12-million dollar Southland WWTF Phase I Improvements project is scheduled to bid in March 2012 and the \$26-million dollar Supplemental Water Project funding measure is scheduled to go out for vote of property owners in March 2012.

The magnitude and complexity of the capital projects schedule is putting extraordinary demands on the staff management team.

Staff feels it is in the best fiscal interest of the District that a narrow focus is drawn on the capital project major milestones during the next six to twelve months. Staff seeks Board assistance in defining strategic plan elements that can be 'idled' and/or deferred during this period.

The Strategic Plan is intended as a five-year living document. The Plan is scheduled for a full review and update by July 2014. Completion of the Southland WWTF Phase I Improvements project is scheduled for June 2013. Completion of the Supplemental Water Project is scheduled for February 2014.

It may be advantageous to update the District's 2007 Sewer and Water Master Plan as the Southland Improvements and Supplemental Water projects near completion. The process of Master Plan update could be commenced in 2012-2013 budget year once capital projects are

AGENDA ITEM E-2
JANUARY 25, 2012

under construction. An updated Master Plan would help guide the 2014 review and update of the Strategic Plan.

FISCAL IMPACT

Development of this Plan used previously budgeted staff time. Implementation of the Plan will be dependent on subsequent adoption of budgets and approval of specific projects. Budgeted staff time was used to prepare this report.

RECOMMENDATION

Staff recommends your Board review the strategic plan elements and goals and provide direction to staff.

ATTACHMENTS

Table 1- Strategic Plan "At a Glance", 2011 Strategic Plan Update

T:\BOARD MATTERS\BOARD MEETINGS\BOARD LETTER\2012\120125 STRATEGIC PLAN REVIEW.docx

Table 1 –The Strategic Plan “At a Glance”

STRATEGIC ELEMENTS	STRATEGIC GOALS	Estimated Completion Date (FY)
1.0 WATER	1.1 Protect, Enhance and Assess available Water Supplies	On-going
	1.2 Secure New supplies	FY11-15
	1.3 Upgrade and maintain available storage and distribution works	FY10-15 On-going
	1.4 Consistently reduce average demand per customer	Ongoing -
	1.5 Comply with State and Fed. regulations	On-going
2.0 WASTEWATER	2.1 Efficiently operate collection, treatment and disposal works	FY10-13
	2.2 Upgrade and Maintain Collection and Treatment Works	FY12-13 On-going
	2.3 Select disposal solution for Southland	FY12-13
	2.4 Provide for Disposal of Biosolids	FY12-13
	2.5 Comply with State and Federal regulations and mandates	On-going
3.0 PARTNERSHIP/ REGULATORY RELATIONS	3.1 Strengthen ties with neighboring agencies and technical groups	On-going
	3.2 Strengthen ties with County of SLO, APCD, County Environmental Health and WRAC	On-going
	3.3 Work closely with RWQCB and State DPH	On-going
	3.4 Develop deliberate legislative agenda	On-going
	3.5 Participate in LAFCO, , IWMA, CSDA, CSDA Chapter, AWWA and CWEF	On-going
4.0 PERSONNEL/ ORGANIZATION	4.1 Retain and attract new employees	On-going
	4.2 Provide appropriate training and education for employees	On-going
	4.3 Continue commitment to a safe workplace environment	On-going
	4.4 Develop and maintain efficient disaster response capability	On-going

	<i>4.5 Integrate operational technology</i>	<i>FY11-12</i>
5.0 ADMINISTRATIVE MANAGEMENT	<i>5.1 Maintain clear and functional policies and procedures</i>	<i>On-going</i>
	<i>5.2 Complete conversion to electronic records</i>	<i>FY 11-12 On going</i>
	<i>5.3 Provide excellent customer service</i>	<i>FY 10-11 On-going</i>
6.0 FINANCES	<i>6.1 Operate all enterprise funds to be financially sound</i>	<i>On-going</i>
	<i>6.2 Achieve targeted operating and non-operating reserves</i>	<i>On-going</i>
	<i>6.3 Ensure that decisions consider short and long term fiscal impacts</i>	<i>On-going</i>
	<i>6.4 Minimize commitment of discretionary resource long-term projects</i>	<i>Ongoing</i>
	<i>6.5 Protect reserves with sound investment policy and investments</i>	<i>On-going</i>
	<i>6.6 Review Other Post- Employment Benefits (OPEB)</i>	<i>FY 11-12</i>
7.0 OTHER SERVICES	<i>7.A.1 Promote recycling</i>	<i>On-going</i>
	<i>7.A.2 Provide additional solid waste services</i>	<i>On-going</i>
	<i>7.A.3 Communicate with customers</i>	<i>On-going</i>
	<i>7.B.1 Monitor maintenance of facilities</i>	<i>On-going</i>
	<i>7.B.2 Communicate with customers</i>	<i>On-going</i>
	<i>7.C.1 Monitor maintenance of facilities</i>	<i>On-going</i>
	<i>7.C.2 Communicate with customers</i>	<i>On-going</i>
	<i>7.D.1 Plan for Parks and Open Space</i>	<i>FY14-15</i>
	<i>7.E.1 Monitor landscape maintenance</i>	<i>On-going</i>
	<i>7.E.2 Communicate with residents</i>	<i>On-going</i>

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER
DATE: JANUARY 20, 2012

**AGENDA ITEM
E-3
JANUARY 25, 2012**

**DISCUSS FUTURE CONSIDERATION OF WATER USE RESTRICTION
ORDINANCE**

ITEM

Discuss water restriction ordinance timing and triggers[RECOMMEND PROVIDE DIRECTION TO STAFF]

BACKGROUND

In 2007 and 2008, your Board considered a draft Emergency Water Shortage Regulations but did not take action. In early 2009 as dry weather prevailed, your Board and the Water Conservation Committee again reviewed draft Water Shortage Regulations and took no action.

The District has studied and considered supplemental water sources since 1994. The District has been actively pursuing a supplemental water project with the City of Santa Maria since 2004.

While the past two years have seen mild temperatures and average to twice-average rainfall amounts across the region, the current water year is tracking far below average. The Supplemental Water Project funding vote is scheduled to take place between March 15 and May 9, 2012. If successful, the Project is scheduled to be completed by February 2014.

Staff seeks Board direction regarding future consideration of water restriction ordinance.

FISCAL IMPACT

Budgeted staff time was used to prepare this report.

STRATEGIC PLAN

Strategic Plan Goal 1.1 – Protect, Enhance and Assess available Water Supplies
Strategic Plan Goal 1.2 – Secure New Supplies

RECOMMENDATION

Staff recommends your Board provide staff direction.

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *ML*
GENERAL MANAGER
DATE: JANUARY 20, 2012



DIRECTOR COMPENSATION REPORTING

ITEM

Director Compensation Reporting [RECOMMEND REVIEW METHOD FOR REPORTING DIRECTOR COMPENSATION, DIRECT STAFF]

BACKGROUND

Staff prepared a Memo to the Board of Directors on December 22, 2011 regarding Director Compensation Reporting (attached).

Staff also printed an article from the IRS Website entitled "Classification of Elected and Appointed Officials" (attached) for your review.

At the January 11, 2012 Board Meeting, Staff was directed to place this item on the Agenda for discussion and direction.

RECOMMENDATION

Staff recommends your Honorable Board by motion and roll call direct Staff on the method of reporting Director Compensation.

ATTACHMENTS

- IRS Classification of Elected and Appointed Officials (Page last reviewed or Updated November 30, 2011)
- Staff Memo and attachments dated December 22, 2011



Classification of Elected and Appointed Officials

Government Officials as Employees

Generally, any individual who serves as a public official is an employee of the government for whom he or she serves. Therefore, the government entity is responsible for withholding and paying Federal income tax, social security and Medicare taxes, and issues a Form W-2, Wage and Tax Statement, to the public official.

Public Officials and Public Officers

Although there is no precise definition for the term "public official" or "public officer," the courts have generally held that anyone who exercises significant authority pursuant to public laws is a public officer. This includes any official who administers or enforces public laws, whether the individual is elected by the public or appointed to an office.

The regulations for section 1402, explaining the applicability of self-employment tax, indicates that holders of "public office" are not in a trade or business and therefore not subject to self-employment tax. These regulations state that the performance of the functions of a public office does not constitute a trade or business. An exception applies for certain public officials paid solely on a fee basis. Otherwise holders of public office are excepted from self-employment tax and are presumed to be employees receiving wages.

Generally, if there is any provision in a public law which authorizes the employment of the individual, and the individual is hired or elected under this authority, the individual is considered an employee of the state or political subdivision to which the provision applies.

The following facts indicate that an office is a "public office":

- The office was created by the constitution or through legislation, or by a municipality or other body with authority conferred by the legislature.
- The office was delegated a portion of the powers of a government body.
- The powers conferred and the duties to be discharged are defined either directly or indirectly law or through legislative authority.
- The duties are to be performed independently and without control of a superior power other than the law.
- The office has some permanency and continuity, and the officer takes an official oath.

Examples of public officers are: the President and the Vice President; a governor or mayor; the secretary of state; a member of a legislative body, such as a state legislature, county commission, city council, school board, utility or hospital district; a judge, a justice of the peace, a county or city attorney, a marshal, a sheriff, a constable and a registrar of deeds; tax collectors and assessors; and members of advisory boards and committees.

If there is not any authority in a public law to hire or elect someone, a determination must be made using common-law rules.

Common-Law Rules

In applying the common-law rules, the IRS considers whether the recipient of the services, in this case a government body, has behavioral and financial control over the worker and evaluates the type of relationship between the parties.

Behavioral controls are evidenced by facts, which indicate whether the service recipient has a right to direct or control how the worker performs the tasks for which he or she is hired. Facts, which illustrate the right to control how a worker performs a task, include the provision of training or instruction.

Financial controls are evidenced by facts that indicate whether the service recipient has a right to direct or control the financial aspects of the worker's activities. These include whether the individual has a significant investment and unreimbursed expenses, makes services available to the relevant market, and has an opportunity for profit or loss.

A "type of relationship" determination is evidenced by facts that indicate that whether the parties intended there to be an employee-employer relationship. These include a written contract that describes the relationship the parties intended to create, whether the individual is provided with employee-type benefits, and the permanency of the relationship.

Exception for Fee-Based Public Officials

When a public office is compensated solely on a fee basis, then the person who serves in that capacity is considered to operate a trade or business and is not considered an employee. This exception only applies when the fees are received directly from the public rather than from the government. For example, a building inspector who is compensated solely from fees paid directly to him or her by clients is considered to operate a trade or business and is not treated as an employee of the government.

Page Last Reviewed or Updated: November 30, 2011

SEE ENLARGED TEXT ATTACHED

Classification of Elected and Appointed Officials

Government Officials as Employees

Generally, any individual who serves as a public official is an employee of the government for whom he or she serves. Therefore, the government entity is responsible for withholding and paying Federal income tax, social security and Medicare taxes, and issues a Form W-2, Wage and Tax Statement, to the public official.

Public Officials and Public Officers

Although there is no precise definition for the term "public official" or "public officer," the courts have generally held that anyone who exercises significant authority pursuant to public laws is a public officer. This includes any official who administers or enforces public laws, whether the individual is elected by the public or appointed to an office.

The regulations for section 1402, explaining the applicability of self-employment tax, indicates that holders of "public office" are not in a trade or business and therefore not subject to self-employment tax. These regulations state that the performance of the functions of a public office does not constitute a trade or business. An exception applies for certain public officials paid solely on a fee basis. Otherwise holders of public office are excepted from self-employment tax and are presumed to be employees receiving wages.

Generally, if there is any provision in a public law which authorizes the employment of the individual, and the individual is hired or elected under this authority, the individual is considered an employee of the state or political subdivision to which the provision applies.

The following facts indicate that an office is a "public office":

The office was created by the constitution or through legislation, or by a municipality or other body with authority conferred by the legislature.

The office was delegated a portion of the powers of a government body.

The powers conferred and the duties to be discharged are defined either directly or indirectly by law or through legislative authority.

The duties are to be performed independently and without control of a superior power other than the law.

The office has some permanency and continuity, and the officer takes an official oath.

Examples of public officers are: the President and the Vice President; a governor or mayor; the secretary of state; a member of a legislative body, such as a state legislature, county commission, city council, school board, utility or hospital district; a judge, a justice of the peace, a county or city attorney, a marshal, a sheriff, a constable and a registrar of deeds; tax collectors and assessors; and members of advisory boards and committees.

If there is not any authority in a public law to hire or elect someone, a determination must be made using common-law rules.

Common-Law Rules

In applying the common-law rules, the IRS considers whether the recipient of the services, in this case a government body, has behavioral and financial control over the worker and evaluates the type of relationship between the parties.

Behavioral controls are evidenced by facts, which indicate whether the service recipient has a right to direct or control how the worker performs the tasks for which he or she is hired. Facts, which illustrate the right to control how a worker performs a task, include the provision of training or instruction.

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A "type of relationship" determination is evidenced by facts that indicate that whether the parties intended there to be an employee-employer relationship. These include a written contract that describes the relationship the parties intended to create, whether the individual is provided with employee-type benefits, and the permanency of the relationship.

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When a public office is compensated solely on a fee basis, then the person who serves in that capacity is considered to operate a trade or business and is not considered an employee. This exception only applies when the fees are received directly from the public rather than from the government. For example, a building inspector who is compensated solely from fees paid directly to him or her by clients is considered to operate a trade or business and is not treated as an employee of the government.

Page Last Reviewed or Updated: November 30, 2011

<http://www.irs.gov/govt/fslg/article/0,,id=110343,00.html>

NIPOMO COMMUNITY

BOARD MEMBERS

JAMES HARRISON, PRESIDENT
LARRY VIERHEILIG, VICE PRESIDENT
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ED EBY, DIRECTOR
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SERVICES DISTRICT

STAFF

MICHAEL S. LEBRUN, GENERAL MANAGER
LISA BOGNUDA, ASSISTANT GENERAL MANAGER
PETER SEVCIK, P.E., DISTRICT ENGINEER
TINA GRIETENS, UTILITY SUPERINTENDENT
JON SEITZ, GENERAL COUNSEL

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(805) 929-1133 FAX (805) 929-1932 Website address: ncsd.ca.gov

MEMORANDUM

TO: BOARD OF DIRECTORS

FROM: LISA BOGNUDA, FINANCE DIRECTOR *LSB*

CC: MICHAEL S. LEBRUN, GENERAL MANAGER
JON SEITZ, DISTRICT LEGAL COUNSEL

DATE: DECEMBER 22, 2011

SUBJECT: IRS EMPLOYMENT TAX COMPLIANCE CHECK

In September, the Internal Revenue Service conducted an Employment Tax Compliance Check on Nipomo Community Services District. A Compliance Check is not considered an audit, however, this could eventually lead to an audit.

The IRS Agent noted in his report that members of the Board of Directors may have been misclassified with regards to compensation authorized by Government Code Section 61407 and the District's by-Laws. The District has historically paid Director Compensation by paying the total authorized compensation and thereon issuing 1099's.

The IRS Agent referred the District to Publication 963 (pages 4-6, 4-7 and 4-8 are attached) which concludes that the District should be treating Director Compensation as "employee compensation", requiring the District to implement withholding from compensation checks and thereon issuing W-2's. The IRS Agent suggested that the District make the necessary changes to be in compliance. As a result of the Compliance Check, effective January 1, 2012, the District will begin treating Board of Director Compensation as employee compensation for payroll purposes.

Although our auditor, Bob Crosby, believes that we have been reporting the Board Stipends/Compensation correctly on the 1099 MISC and believes that we have basis to continue in the same manner, District Management, including District Legal Counsel, believe it is in the District's best interest to abide by the IRS Agent's recommendation.

Dennis Timoney of Special District Risk Management Authority confirmed that the Board Members are covered by the District's insurance policies regardless of how they

are compensated (i.e. 1099 MISC or W-2) and has advised the District that SDRMA recommends that Director Compensation be paid as employee compensation.

In addition, the District contacted Heritage Ranch CSD, Cambria CSD and Templeton CSD and found they have all switched or are in the process of switching to W-2 reporting for Board Stipends/Compensation.

Attached are the following:

1. W-4 for 2012
2. Payroll Direct Deposit Authorization
3. Bi-Weekly Payroll Schedule

Please complete the W-4 and Payroll Direct Deposit Authorization Form and return them to the Office by January 11, 2012. You will receive your first compensation check on January 20, 2012 via direct deposit.

Based on the maximum amount of \$600.00 per month authorized by the Community Services District Law, the following is an example of the deductions that would be taken from your compensation checks:

	2011 RATES	2012 PROPOSED RATES(2)
GROSS	\$600.00	\$600.00
FICA (4.2% for 2011 and 6.2% for 2012)	(\$25.20)	(\$37.20)
MEDICARE (1.45%)	(\$8.70)	(\$8.70)
SUBTOTAL	\$566.10	\$554.10
FEDERAL INCOME TAX(1)	?	?
STATE INCOME TAX(1)	?	?
NET PAY	?	?

(1) Federal and State Income Tax Withheld will be determined based on the Total number of allowances you are claiming on the W-4.

(2) Awaiting Congress to make a decision.

If you have any questions, please feel free to give me a call.

End of Memo.

Common-Law Standard - Summary

In many worker classification cases, some facts will support independent contractor status and others will support employee status. Independent contractors are rarely totally unconstrained in the performance of their contracts, and employees almost always have some degree of autonomy. The determination of a worker's status, therefore rests on the weight given to the facts as a whole, keeping in mind that no one factor is determinative.

The following discussion addresses some special situations involving governmental employees.

Workers Covered Under Section 218 Agreements

States can enter into agreements with SSA to provide social security and Medicare coverage for their employees pursuant to section 218 of the Social Security Act (Section 218 Agreements). Only employees can be covered by a Section 218 Agreement. Therefore, the first question for a government to ask in determining whether individuals are employees is whether the worker is in a position covered under a Section 218 Agreement. If section 218 coverage applies, this fact takes precedence over other considerations, including public retirement system coverage and mandatory coverage rules.

If a group of workers is covered under a Section 218 Agreement, the Agreement cannot be terminated or modified to exclude that coverage group. Employees who are not covered under a Section 218 Agreement are generally subject to social security and Medicare unless they participate in a public retirement system. However, Medicare taxes generally apply to wages of all state and local government employees hired after March 31, 1986. See Chapter 5, Social Security and Medicare Coverage for further information.

Indian tribal governments are not treated as states for purposes of Section 218. See IRC section 7871. For more information about social security coverage and tribal governments, see the IRS Indian Tribal Governments website.

Public Officials

The term "public official" refers to someone who has authority to exercise the power of the government and does so as an agent and employee of the government. The Internal Revenue Code does not define the term "public official," but Regulation §1.1402(c)-2(b), explaining the applicability of self-employment tax, indicates that holders of "public office" are not in a trade or business and therefore not subject to self-employment tax. This Regulation states that the performance of the functions of a public office does not constitute a trade or business. An exception applies for certain public officials paid solely on a fee basis (see Chapter 5). Otherwise holders of public office are excepted from self-employment tax and are presumed to be employees receiving wages. The regulations give the following specific examples of positions that constitute "public office":

- Mayor
- Member of a legislature or elected representative (e.g., elective office)
- County commissioner
- State or local judge, or justice of the peace
- County or city attorney, marshal, sheriff, constable
- Registrar of deeds
- Tax collector or tax assessor
- Road commissioners
- Members of boards and commissions, such as school boards, utility districts, zoning boards, and boards of health

The primary legal basis for defining employees for income tax withholding purposes lies in IRC §3401(c), which states, “the term employee includes an officer, employee, or elected official of the United States, a State, or any political subdivision thereof.” Therefore, an officer, employee, or elected official of a state or local government is an employee for income tax withholding purposes. For purposes of social security and Medicare (FICA) taxes, employee status is determined under the common-law control test, unless a Section 218 Agreement is in place and specifically covers the position.

In *Metcalf & Eddy v. Mitchell*, 269 U.S. 514 (1926), the U.S. Supreme Court addressed the definition of a public official, liable for Federal income tax. (Until 1939, compensation to state and local government officials was not subject to Federal income tax). The Court held that a public official performs a governmental duty exercised pursuant to a public law. A public office is a position created by law, holding a delegation of a portion of the sovereign powers of government to be exercised for the benefit of the public. Officials will generally have the characteristics of common-law employees. The *Metcalf* case concluded that a worker who is compensated for services performed for a government may be an independent contractor and is not necessarily a public official or an employee.

Questions may arise, however, as to whether workers performing services for a government are contractors, or act as agents and employees of the government and hold public office.

If there is some question as to whether a worker is a public official and employee, a critical factor to consider is whether there is a provision of the state constitution or a statute establishing the position. State statutes should be reviewed to determine whether they establish enough control for the individual to be classified as an employee under the common-law test. A statute may state that a specific position is that of a public official, in which case there is likely to be a right to control sufficient to make the individual an employee. Statutes may specify the duties of a public office and generally establish the officer's superiors and subordinates, if any. Statutes establish an official's term of office and sometimes the compensation. They may require that a public official take an oath of office. Statutes often establish general and specific penalties for dereliction of duty. For instance, members of boards who are paid for each meeting they attend may face termination if they fail to attend a certain number of meetings.

Example. State A establishes the position of city attorney by statute and defines it as that of an officer and employee. This statute defines the duties of the position. The city attorney is required to direct all litigation in which the city is a party, including prosecution of criminal cases; to represent the city in all legal matters in which the city or a city officer is a party; to attend meetings of the commissioners, advise commissioners, mayors, etc., on all legal questions, and approve all contracts and legal documents. A city manager appoints, supervises and controls the work of the city attorney. The city attorney must take an oath of office. These facts show the importance of state statutes in establishing a right of direction and control over a public official and thus classifying the individual as a common-law employee.

Elected Officials

Elected officials (also referred to as individuals in “elective positions”), are subject to a degree of control that typically makes them employees under the common law. Elected officials are responsible to the public, which has the power to vote them out of office. Elected officials may also be subject to recall by the public or a superior official. Very few appointed officials have sufficient independence to be considered independent contractors. In any event, under section 3401, elected officials are employees for income tax withholding purposes).

Chore Workers

Workers who perform in-home domestic services for recipients of public assistance are sometimes referred to as chore workers. Under common-law rules, these workers are typically employees of the individuals for whom they provide services because they work in the service recipients’ homes under their direction. In some cases, state health and welfare agencies assume responsibility for reporting and paying social security and Medicare, FUTA and income tax withholding with respect to these workers. The agencies report these taxes on Forms 941 as agents for the service recipients. See Notice 95-18, 1995-1 C.B. 300 and Revenue Procedure 80-4, 1980-1 C.B. 581. Agencies must have an employer identification number separate from the one used to report taxes of its own employees for this purpose. The state agent may engage a reporting agent or subagent to perform the reporting and payment of employment taxes that the state agent would otherwise perform on behalf of the service recipient. See Notice 2003-70 for updated proposed procedures.

Volunteer Firefighters

Compensation paid in an employer-employee relationship is taxable wages (unless an exclusion applies), regardless of whether the workers are termed “volunteers.” In some cases, rather than receive salaries, firefighters may receive amounts intended to reimburse them for expenses. They may also receive other cash or in-kind benefits that may be wages. Unless these reimbursements are paid under an *accountable plan*, they are taxable as

Payroll	Period Beginning	Period Ending	Actual Payday
-----	-----	-----	-----
1	Sat 12/17/11	Fri 12/30/11	Fri 01/06/12
2	Sat 12/31/11	Fri 01/13/12	Fri 01/20/12
3	Sat 01/14/12	Fri 01/27/12	Fri 02/03/12
4	Sat 01/28/12	Fri 02/10/12	Fri 02/17/12
5	Sat 02/11/12	Fri 02/24/12	Fri 03/02/12
6	Sat 02/25/12	Fri 03/09/12	Fri 03/16/12
7	Sat 03/10/12	Fri 03/23/12	Fri 03/30/12
8	Sat 03/24/12	Fri 04/06/12	Fri 04/13/12
9	Sat 04/07/12	Fri 04/20/12	Fri 04/27/12
10	Sat 04/21/12	Fri 05/04/12	Fri 05/11/12
11	Sat 05/05/12	Fri 05/18/12	Fri 05/25/12
12	Sat 05/19/12	Fri 06/01/12	Fri 06/08/12
13	Sat 06/02/12	Fri 06/15/12	Fri 06/22/12
14	Sat 06/16/12	Fri 06/29/12	Fri 07/06/12
15	Sat 06/30/12	Fri 07/13/12	Fri 07/20/12
16	Sat 07/14/12	Fri 07/27/12	Fri 08/03/12
17	Sat 07/28/12	Fri 08/10/12	Fri 08/17/12
18	Sat 08/11/12	Fri 08/24/12	Fri 08/31/12
19	Sat 08/25/12	Fri 09/07/12	Fri 09/14/12
20	Sat 09/08/12	Fri 09/21/12	Fri 09/28/12
21	Sat 09/22/12	Fri 10/05/12	Fri 10/12/12
22	Sat 10/06/12	Fri 10/19/12	Fri 10/26/12
23	Sat 10/20/12	Fri 11/02/12	Fri 11/09/12
24	Sat 11/03/12	Fri 11/16/12	Fri 11/23/12
25	Sat 11/17/12	Fri 11/30/12	Fri 12/07/12
26	Sat 12/01/12	Fri 12/14/12	Fri 12/21/12

PAYROLL DIRECT DEPOSIT AUTHORIZATION

Last Name	First Name	Middle Initial
Office or Department Name	Office or Department No.	
I hereby authorize Nipomo Community Services District to deposit my paycheck to the account indicated below: (Mark account that applies).		
Checking <input type="checkbox"/>	Savings <input type="checkbox"/>	
Name on Account		
Routing Number		Check Digit
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>		<input type="text"/>
Account Number		
My authorization will remain in effect until revoked in writing, to Nipomo Community Services District. Furthermore, I understand that I must notify Nipomo Community Services District should the above account be closed.		
Employee Signature	Date	
Supervisor Approval Signature		

Payroll Direct Deposit

Form W-4 (2012)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2012 expires February 18, 2013. See Pub. 505, Tax Withholding and Estimated Tax.

Note. If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds \$950 and includes more than \$300 of unearned income (for example, interest and dividends).

Basic Instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity

income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2012. See Pub. 505, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

Future developments. The IRS has created a page on www.irs.gov/w4 for information about Form W-4, at www.irs.gov/w4. Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted on that page.

Personal Allowances Worksheet (Keep for your records.)

A Enter "1" for yourself if no one else can claim you as a dependent **A** _____

B Enter "1" if:
 • You are single and have only one job; or
 • You are married, have only one job, and your spouse does not work; or
 • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. **B** _____

C Enter "1" for your spouse. But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) **C** _____

D Enter number of dependents (other than your spouse or yourself) you will claim on your tax return **D** _____

E Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above) **E** _____


F Enter "1" if you have at least \$1,900 of child or dependent care expenses for which you plan to claim a credit **F** _____
 (Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)

G **Child Tax Credit** (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information.
 • If your total income will be less than \$61,000 (\$90,000 if married), enter "2" for each eligible child; then less "1" if you have three to seven eligible children or less "2" if you have eight or more eligible children.
 • If your total income will be between \$61,000 and \$84,000 (\$90,000 and \$119,000 if married), enter "1" for each eligible child **G** _____

H Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ► **H** _____

For accuracy, complete all worksheets that apply.
 • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
 • If you are single and have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$40,000 (\$10,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
 • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.

Separate here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate		OMB No. 1545-0074 2012
1 Your first name and middle initial Last name		2 Your social security number		
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.		
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ► <input type="checkbox"/>		
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		5 _____		
6 Additional amount, if any, you want withheld from each paycheck		6 \$ _____		
7 I claim exemption from withholding for 2012, and I certify that I meet both of the following conditions for exemption. • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ► 7 _____				
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.				
Employee's signature (This form is not valid unless you sign it.) ►		Date ►		
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)	10 Employer identification number (EIN)	

Deductions and Adjustments Worksheet

Note. Use this worksheet *only* if you plan to itemize deductions or claim certain credits or adjustments to income.

1	Enter an estimate of your 2012 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions	1	\$ _____
2	Enter: $\left\{ \begin{array}{l} \$11,900 \text{ if married filing jointly or qualifying widow(er)} \\ \$8,700 \text{ if head of household} \\ \$5,950 \text{ if single or married filing separately} \end{array} \right\}$	2	\$ _____
3	Subtract line 2 from line 1. If zero or less, enter "-0-"	3	\$ _____
4	Enter an estimate of your 2012 adjustments to income and any additional standard deduction (see Pub. 505)	4	\$ _____
5	Add lines 3 and 4 and enter the total. (Include any amount for credits from the <i>Converting Credits to Withholding Allowances for 2012 Form W-4</i> worksheet in Pub. 505.)	5	\$ _____
6	Enter an estimate of your 2012 nonwage income (such as dividends or interest)	6	\$ _____
7	Subtract line 6 from line 5. If zero or less, enter "-0-"	7	\$ _____
8	Divide the amount on line 7 by \$3,800 and enter the result here. Drop any fraction	8	_____
9	Enter the number from the Personal Allowances Worksheet , line H, page 1	9	_____
10	Add lines 8 and 9 and enter the total here. If you plan to use the Two-Earners/Multiple Jobs Worksheet , also enter this total on line 1 below. Otherwise, stop here and enter this total on Form W-4, line 5, page 1	10	_____

Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)

Note. Use this worksheet *only* if the instructions under line H on page 1 direct you here.

1	Enter the number from line H, page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet)	1	_____
2	Find the number in Table 1 below that applies to the LOWEST paying job and enter it here. However , if you are married filing jointly and wages from the highest paying job are \$65,000 or less, do not enter more than "3"	2	_____
3	If line 1 is more than or equal to line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "-0-") and on Form W-4, line 5, page 1. Do not use the rest of this worksheet	3	_____

Note. If line 1 is **less than** line 2, enter "-0-" on Form W-4, line 5, page 1. Complete lines 4 through 9 below to figure the additional withholding amount necessary to avoid a year-end tax bill.

4	Enter the number from line 2 of this worksheet	4	_____
5	Enter the number from line 1 of this worksheet	5	_____
6	Subtract line 5 from line 4	6	_____
7	Find the amount in Table 2 below that applies to the HIGHEST paying job and enter it here	7	\$ _____
8	Multiply line 7 by line 6 and enter the result here. This is the additional annual withholding needed	8	\$ _____
9	Divide line 8 by the number of pay periods remaining in 2012. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2011. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck	9	\$ _____

Table 1				Table 2			
Married Filing Jointly		All Others		Married Filing Jointly		All Others	
If wages from LOWEST paying job are—	Enter on line 2 above	If wages from LOWEST paying job are—	Enter on line 2 above	If wages from HIGHEST paying job are—	Enter on line 7 above	If wages from HIGHEST paying job are—	Enter on line 7 above
\$0 - \$5,000	0	\$0 - \$8,000	0	\$0 - \$70,000	\$570	\$0 - \$35,000	\$570
5,001 - 12,000	1	8,001 - 15,000	1	70,001 - 125,000	950	35,001 - 90,000	950
12,001 - 22,000	2	15,001 - 25,000	2	125,001 - 190,000	1,060	90,001 - 170,000	1,060
22,001 - 25,000	3	25,001 - 30,000	3	190,001 - 340,000	1,250	170,001 - 375,000	1,250
25,001 - 30,000	4	30,001 - 40,000	4	340,001 and over	1,330	375,001 and over	1,330
30,001 - 40,000	5	40,001 - 50,000	5				
40,001 - 48,000	6	50,001 - 65,000	6				
48,001 - 55,000	7	65,001 - 80,000	7				
55,001 - 65,000	8	80,001 - 95,000	8				
65,001 - 72,000	9	95,001 - 120,000	9				
72,001 - 85,000	10	120,001 and over	10				
85,001 - 97,000	11						
97,001 - 110,000	12						
110,001 - 120,000	13						
120,001 - 135,000	14						
135,001 and over	15						

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3402(f)(2) and 6109 and their regulations require you to provide this information; your employer uses it to determine your federal income tax withholding. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation; to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws; and to the Department of Health and Human Services for use in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.