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# **NEWPORT BEACH**

## **City Council Staff Report**

July 8, 2025  
Agenda Item No. 11

**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

**FROM:** Grace K. Leung, City Manager - 949-644-3001,  
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**TITLE:** Draft Revisions to the Newport Beach Key and Management  
Compensation Plan

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**ABSTRACT:**

The Compensation Plan (Plan) between the City of Newport Beach and the Newport Beach Key and Management (K&M) group expires December 31, 2025. At the City Council's request, the City is negotiating new agreements with all the collective bargaining units in advance of their contract expiration dates with the desired goal of entering into new contracts with more robust total compensation offerings. While K&M employees are unrepresented and therefore do not engage in formal negotiations, the City Council wishes to provide additional benefits to the K&M employees and has conferred and proposed revisions to the existing Plan.

To promote greater transparency of this group's total compensation, the costs associated with the draft revisions to the Plan are being presented at this time for public review and comment. The complete Plan, which spans the time period from July 12, 2025, through June 30, 2028, will be presented for final City Council consideration and action at the July 22, 2025, regular meeting.

**RECOMMENDATIONS:**

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and,
- b) Receive and consider the revised Key and Management Compensation Plan.

## **DISCUSSION:**

The K&M Plan covers more than 80 miscellaneous (non-safety) and six safety unrepresented, budgeted positions in the confidential, supervisory, managerial and executive classifications. To maintain parity, the City Council has traditionally provided K&M employees with compensation and benefits adjustments comparable to the miscellaneous administrative and professional collective bargaining associations.

Key revisions to the Plan include:

- Term: July 12, 2025, through June 30, 2028.
- Salary Adjustments:
  - July 12, 2025 – 5% increase
  - July 2026 – 4% increase
  - July 2027 – 3% increase
- Medical Insurance: The City will contribute \$2,025 per month (plus the minimum CalPERS participating employee contribution) to each member's cafeteria plan.
- Employee Retirement Contributions: Effective July 12, 2025, employee retirement contributions will adjust as follows:
  - Tiers I & II – 8% of compensation earnable
  - Tier III – 8% of pensionable compensation or half the normal cost, whichever is higher
- Adjustments to various leaves, including Bereavement Leave and Holiday Leave.

A proposed draft version of the K&M Plan is included as Attachment A with changes from the current Plan in redline. Costing information is included as Attachment B. The estimated total cost of implementing the salary and benefits outlined in the Plan is approximately \$7.5 million.

The Plan will not become effective, per Government Code §3505.1, until the governing body, e.g. City Council, takes action to adopt it. If the City Council approves adoption of the revised Plan with K&M, City staff will work to implement the provisions as soon as practicable.

Following the City Council's July 8 review of the proposed revisions to the Plan with K&M, a final version of the successor Plan will be presented at the July 22, 2025, regular City Council meeting. The costing information and proposed revisions to the Plan included with this report will be posted for public review on the City's website.

**FISCAL IMPACT:**

Detailed cost information is provided in Attachment B. Since the MOU covers the period from July 12, 2025, through June 30, 2028, it will result in the following annual fiscal impacts to implement the terms of the agreement, totaling \$7,480,664

Fiscal Year	Amount
2025/26	1,731,377
2026/27	2,553,871
2027/28	3,195,416
	7,480,664

The costs shown reflect additional annual expenses for the corresponding fiscal years. Sufficient projected unassigned General Fund balance reserves are available to support the required appropriations. Following the City Council's consideration of the Tentative Agreement, staff will return with a budget amendment to appropriate the funds needed to cover the cost of the contract for Fiscal Year 2025-26. Adequate funding will be included in the annual budget for subsequent years.

**ENVIRONMENTAL REVIEW:**

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

**NOTICING:**

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

**ATTACHMENTS:**

Attachment A – Revised Key and Management Compensation Plan (Plan) with Salary Adjustments and proposed Plan (redlined) between the City and the K&M group

Attachment B – Estimated Cost of K&M Plan