



CITY OF

NEWPORT BEACH

City Council Staff Report

July 22, 2025
Agenda Item No. 6

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Resolution No. 2025-45: To Adopt Revisions to the City of Newport
Beach Key and Management Compensation Plan

ABSTRACT:

The Newport Beach Key and Management (K&M) group is comprised of just over 80 unrepresented executive, management, supervisory and confidential employees. The terms and conditions of their employment are outlined in a Key and Management Compensation Plan (Plan). The existing Plan expires December 31, 2025. At the City Council's request, the City of Newport Beach 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. K&M employees are unrepresented and therefore the Plan is not negotiated; rather the Plan is adopted via resolution by the City Council. The City Council wishes to provide additional benefits to the K&M employees and has conferred and proposed revisions to the existing Plan.

On July 8, 2025, the proposed revisions to the Plan were submitted for City Council and public review. The revised Plan for the period of July 12, 2025, through June 30, 2028, is presented tonight for City Council consideration and action and is the final step in the approval of the Plan.

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;
- b) Adopt Resolution No. 2025-45: *A Resolution of the City Council of the City of Newport Beach, California, Adopting the 2025 Key & Management Compensation Plan, which shall be effective from July 12, 2025 through June 30, 2028 and Amending the Salary Schedule for Key & Management Employees, the City Manager, the City Attorney, and the City Clerk;*

- c) Approve Budget Amendment No. 26-012, appropriating \$1,341,837 increased expenditures in various City division salary and benefit accounts from unappropriated General Fund balances; and
- d) Approve and adopt the revisions to the Citywide salary schedule for those employees who tie to the Key and Management group for cost-of-living and/or salary adjustments.

DISCUSSION:

The following discussion was provided, in part, with the July 8, 2025, staff report and is summarized here for reference:

The K&M Plan covers 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*

The revised Plan is included in Attachment A.

Exhibits C-D of Attachment A amend the salary schedules for the City Council appointed positions: City Manager, City Attorney and City Clerk. In accordance with the employment agreements for City Manager and City Attorney, base salary for both employees will be adjusted in accordance with the Plan.

The estimated total cost of implementing the salary and benefits outlined in the Plan is approximately \$7.5 million as detailed in Attachment C. 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.

FISCAL IMPACT:

Since the Plan 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 Plan, totaling \$7,480,664:

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

A budget amendment is required to appropriate \$1,341,837 from unappropriated surplus fund balances to implement the Plan for Fiscal Year 2025-26. Approximately 95% of the cost is funded by the General Fund, with the balance funded by the Water Utility (4%) and the Wastewater Utility (1%).

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 – Resolution No. 2025-45
Attachment B – Budget Amendment
Attachment C – Estimated Cost of K&M Compensation Plan