

ATTACHMENT A

CITY OF NEWPORT BEACH FOURTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT CITY MANAGER

This FOURTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement") is made effective as of July 8, 2025, and is entered into by and between the CITY OF NEWPORT BEACH, a California municipal corporation and Charter City ("Employer" or "City") and GRACE K. LEUNG ("Employee"), an individual (sometimes collectively referred to herein as "the Parties").

RECITALS

- A. City is a municipal corporation duly organized and validly existing under the laws of the State of California with the power to carry on its business as it is now being conducted under the statutes of the State of California and the Charter of the City.
- B. Employee has been continuously employed by City as City Manager since September 4, 2018. Employee is currently employed under a Third Amended and Restated Employment Agreement approved January 25, 2022 ("Employment Agreement").
- C. The Parties mutually agree that, except as expressly set forth herein, they intend for this Agreement to supersede all prior Employment Agreements, and that upon execution of this Agreement, any prior Employment Agreements shall have no force or effect.
- D. The Parties also mutually agree that this form of Agreement reflects the terms and conditions under which the Parties intend and desire to continue Employee's employment, and that there are no other Agreements between them oral, written or implied.

NOW, THEREFORE, it is mutually agreed by and between the undersigned Parties as follows:

SECTION 1: Term

- A. This Agreement shall become effective July 8, 2025 ("Effective Date") and shall terminate on December 26, 2025, subject to the City's right to terminate Employee's employment at any time as provided for in this Agreement, Section 500 of the City Charter, and Newport Beach Municipal Code ("NBMC") Section 2.08.050.

- B. City's election not to extend this Agreement shall not entitle Employee to Severance pursuant to Section 7 of this Agreement.

SECTION 2: Duties and Authority

Employer agrees to continue to employ Employee as City Manager to exercise the powers and authority and to perform the functions and duties specified in the Newport Beach City Charter, the NBMC and all relevant resolutions, rules, regulations, procedures, applicable job description(s) and state codes, as they currently or may in the future exist. Employee shall exercise such power and authority and perform such other functions and duties, not inconsistent with this Agreement, as Employer, by its City Council, may legally assign.

SECTION 3: Compensation and Performance Evaluation

- A. Employer agrees that Employee's annual base salary is Three Hundred Forty-Five Thousand, Seven Hundred and Eighty-Two Dollars (\$345,782) ("Base Salary").
- B. After the Effective Date of this Agreement, the Base Salary shall be adjusted based on the percentage salary schedule/cost-of-living adjustment, if any, approved by the City Council for Key and Executive Management Employees, as outlined in the Key and Management Compensation Plan ("Compensation Plan"), and shall be paid in the same manner.
- C. Employee shall receive a performance bonus in the sum of two and one-half percent (2.5%) of her Base Salary, as adjusted, on each bi-weekly paycheck ("Biweekly Performance Bonus"). In addition to the Biweekly Performance Bonus, Employee shall receive a lump sum performance bonus of two and one-half percent (2.5%) of her annual Base Salary, as adjusted, which shall be payable on the next normal payday following and inclusive of December 26, 2025. The Parties agree that these payments are non-PERSable and will not be reported to CalPERS.
- D. The Base Salary, as adjusted, and compensation payable to Employee pursuant to this Agreement shall be subject to deductions and withholdings of any and all sums required for federal or state income tax, pension contributions, and all other taxes, deductions or withholdings required by then current state, federal or local law, prorated and paid on Employer's normal paydays for the City Manager, City

Attorney, City Clerk and any Department Directors not covered by collective bargaining agreements ("Executive Management Employees"). Employer shall also deduct sums Employee is obligated to pay because of participation in plans or programs described in Section 4 of this Agreement. The annual Base Salary of Employee is within the approved salary range adopted by resolution of the City Council and the City Council shall adjust the salary range, as needed, to ensure that the Base Salary remains within the approved salary range.

SECTION 4: Employee Benefits

- A. Benefit Balances Carried Over. Employee shall not have a break in employment service between the prior Employment Agreement and this Agreement. All of Employee's accrued leave and other benefit balances shall carry over as agreed, and Employee's leave and benefit balances shall continue to accrue under the terms of applicable City policies and this Agreement.
- B. Flex Leave. Employee shall accumulate Flex Leave as provided in the Compensation Plan, Executive Management category, at the rate designated for Employee's years of service in the "15 and over" category. Employee's maximum accrual for Flex Leave is limited to four hundred (400) hours. No Flex Leave shall further accrue beyond said maximum. The right to sell back accumulated Flex Leave shall be the same as other Key and Management Employees and shall comply with the Leave Sellback provisions set forth in the Compensation Plan.
- C. Administrative Leave. For the calendar year 2025, Employee has been awarded eighty (80) hours of paid Administrative Leave. Upon separation from employment, Employee shall be entitled to payment of any hours remaining of the eighty (80) hours that were not used in the 2025 calendar year. Consistent with the Compensation Plan, there is no right to sell back any accumulated Administrative Leave.
- D. Additional Benefits. Unless otherwise provided in this Agreement, Employee shall receive the same benefits as are available to Executive Management Employees under the Compensation Plan and/or Employee Policy Manual ("EPM"), including, but not limited to, cafeteria benefits, LIUNA Supplemental Pension, IRS Section 125 Flexible Spending Accounts, short-term and long-term disability plans, life insurance plans, holiday pay, Holiday Closure Leave, and deferred compensation plans. This Agreement shall be deemed amended whenever the City Council adopts a resolution or takes action changing these benefits under the Compensation Plan and/or EPM.

- E. Annual Physical Exam. Employee may undergo an annual physical examination, and City shall reimburse Employee for the actual cost of the examination up to a maximum of One Thousand, Two Hundred and Fifty Dollars (\$1,250).
- F. Automobile Allowance. Employee's duties require Employee to be available and to respond to demands of City business at all times and outside of regular business hours, including weekends. Employer shall, therefore, pay to Employee an Automobile Allowance of Five Hundred Dollars (\$500) per month to respond to these demands of City business ("Automobile Allowance").
- G. Phone Allowance. Employee shall be entitled to the same phone allowance as provided to any Executive Management Employee ("Phone Allowance").
- H. Attorneys' Fees. Upon the submission of invoices acceptable to the City Attorney, the City shall reimburse Employee for the reasonable, actual legal fees and costs incurred by Employee for legal review of this Agreement, up to a maximum of Five Thousand Dollars (\$5,000).
- I. Deferred Compensation. Employee has a 401(a) defined contribution plan account set up by the City, which is subject to the contribution limit under Internal Revenue Code Section 415(c)(1)(A), as adjusted for inflation. For calendar year 2025, the City shall contribute to Employee's 401(a) defined contribution plan account, on a pre-tax basis, an annual amount equal to the current adjusted total contribution limit under section 415(c)(1)(A) in effect for calendar year 2025. Of this total amount, Twenty-Three Thousand Nine Hundred Sixty-One Dollars and 54/100 (\$23,961.54) has already been contributed as of July 5, 2025. The remaining balance shall be contributed in twelve (12) equal bi-weekly installments over the remainder of the calendar year. Employee shall not be entitled to the 401 (a) contributions set forth in the Compensation Plan.

Under federal law, there is an annual maximum contribution which may be made to an employee's 401(a) defined contribution plan account. If any contributions pursuant to this Agreement would exceed the maximum contributions allowable by law, the City will be excused from and stop making contributions for the remainder of the calendar year and will not owe Employee any additional compensation related to this Section.

- J. Amendment of Benefits. Except as expressly provided under Section 4 of this Agreement, Employee's benefits are not tied to the compensation of any other City employee or group of City employees.

- K. Retirement - CalPERS. Employee's retirement contributions shall be the same as and shall be tied to the retirement contributions required by Tier II non-safety employees covered by the Compensation Plan, which is currently eleven and a half percent (11.5%) of compensation earnable. After the Effective Date of this Agreement, if there are changes to the retirement contributions required by Tier II non-safety employees covered by the Compensation Plan, as set forth in a council-approved Compensation Plan, this Agreement shall be deemed amended and Employee will be subject to the same formula or percentage contribution as is applied to the Tier II non-safety Management Employees covered under the Compensation Plan and for the same duration.

Employee retirement contributions that are in addition to the normal CalPERS Member Contribution shall be calculated on Base Salary, special pays, and other pays normally reported as "PERSable" compensation (known either as compensation earnable or pensionable compensation) and will be made on a pre-tax basis through payroll deduction, to the extent allowable by law. The Parties agree that the City will not report as special compensation the value of any Employer Paid Member Contribution. No compensation paid pursuant to Section 7(a) shall be "PERSable" compensation.

SECTION 5: General Business Expenses

- A. Employer recognizes that Employee may incur expenses of a non-personal, job-related nature that are reasonably necessary to Employee's service to Employer. Employer agrees to either pay such expenses in advance or to reimburse the expenses, so long as the expenses are incurred and submitted according to Employer's normal expense reimbursement procedures, or such other procedure as may be designated by the City Council. To be eligible for reimbursement, all expenses must be supported by documentation meeting Employer's normal requirements and must be submitted within time limits established by Employer.
- B. Employer agrees to budget and pay for professional dues, membership and subscriptions of Employee necessary for continuation and participation in the International City/County Management Association (ICMA), Cal-ICMA, the California City Manager's Foundation (CCMF), state and national League of Cities and such other organizations as Employer and Employee may agree from time to time. Employer also agrees to pay the cost of a corporate surety bond as contemplated by Section 503 of the City Charter.

- C. Employer agrees to budget and reimburse Employee or pay for reasonable costs for attendance and participation in meetings, institutes, training programs, conferences, conventions and similar gatherings that support leadership development and the advancement of Employer and Employee's mutually agreed upon goals, and which are related to Employee's duties or Employer's operations and held in the continental United States. For purposes of this paragraph, reasonable expenses are limited to the reasonable and actual cost of registration, coach-class airfare (where applicable), ground transportation and meals. Reasonable expenses will also include the reasonable and actual cost of lodging for meetings outside of Orange County.
- D. The expenses to be budgeted and paid in this Section 5, Paragraphs A, B, and C above, are exclusive of reasonable expenses related to events, participation in organizations, or attendance at events or meetings on behalf of the City as required by the City Council. Employer will separately budget and pay for membership and participation in community, civic or other organizations or events in which Employer requires Employee to participate.

SECTION 6: At-Will Employment Relationship

- A. This Agreement provides for Employee's employment with the City until December 26, 2025. At the City Council's discretion, including upon the appointment of a new City Manager or Acting City Manager by the City Council, Employee may be relieved of all City Manager Duties and telecommute until December 26, 2025. While telecommuting, Employee shall continue to have a duty to respond to questions from the City, including as required by the new City Manager or Acting City Manager, but shall not do so in her official capacity as City Manager, having been relieved of all official duties. In addition, if a new City Manager or Acting City Manager is appointed before December 26, 2025, said person will assign specific projects to Employee and Employee is expected to work diligently to complete each project and account for her time spent on each project. For purposes of this Agreement, the salary schedule applicable to Employee shall be the salary schedule for the City Manager position.
- B. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of Employee to resign from Employee's employment with Employer, subject only to Employee providing a minimum of forty-five (45) calendar days prior written notice to Employer of the effective date of Employee's resignation. Upon the effective date of resignation, Employee forfeits all compensation and benefits owing for the remainder of the term of this Agreement.

SECTION 7: Severance

- A. Expiration Agreement. If this Agreement is not terminated for cause, and the Employee signs, delivers, and does not revoke the Separation Agreement and General Release between Employee and Employer dated July 8, 2025, and the related Reconfirmation of Separation Agreement and General Release, and satisfies the terms and conditions thereof, the City will pay the Employee severance pursuant to the terms of the Separation Agreement and General Release equal to her annual Base Salary in effect on December 26, 2025, Auto Allowance, Phone Allowance, the applicable City's annual flexible spending account cafeteria contribution in effect as of December 26, 2025, and Twenty-Four Thousand Dollars (\$24,000.00).
- B. Termination With Cause. If Employer terminates this Agreement (thereby terminating Employee's employment) with Cause, as determined by the affirmative votes of a majority of the members of the City Council at a meeting of the City Council, Employee shall not be entitled to any additional compensation or payment, including Severance, as provided for in Section 7.

As used in this Agreement, Cause shall only mean any of the following:

1. Conviction of a felony;
 2. Conviction of a misdemeanor arising out of Employee's duties under this Agreement and involving a willful or intentional violation of law; or
 3. Conviction of any crime involving an "abuse of office or position," as that term is defined in Government Code Section 53243.4.
- C. Municipal Elections. In no event may Employee be terminated within ninety (90) days after any municipal election for the selection or recall of one or more of the members of the City Council. (City Charter Section 506)
- D. Resignation. If Employee resigns or otherwise terminates this Agreement (thereby terminating Employee's employment), Employee shall not be entitled to any additional compensation or payment, including Severance.
- E. Accrued Leave. Upon termination (regardless of reason), Employee shall be compensated for all accrued but unused Flex Leave and unused Administrative Leave.

SECTION 8: Employee's Obligations and Hours of Work

Except as otherwise agreed, Employee shall devote Employee's full energies, interests, abilities and productive time to the performance of this Agreement and utilize Employee's best efforts to promote Employer's interests. Employee's duties may involve expenditures of time in excess of the regularly established workday or in excess of a forty (40) hour workweek and may also include time outside normal office hours, including attendance at City Council meetings. Employee's Base Salary includes compensation for all hours worked and Employee shall be classified as an exempt employee for purposes of overtime and shall not be entitled to any form of compensation for overtime. In recognition of the significant time Employee will need to devote outside normal office hours to business activities of Employer and the exempt salaried nature of the employment, Employee is permitted to exercise a flexible work schedule. However, consistent with this flexibility and Employee's participation in activities out of the office, Employee will generally be expected to keep office hours at City Hall, Monday through Friday, during normal business hours.

SECTION 9: Confidentiality

Employee acknowledges that in the course of Employee's employment contemplated herein, Employee will be given or will have access to privileged, confidential and proprietary documents and information relating to the City, its residents, businesses, employees, and customers ("Confidential Information"). Such Confidential Information may include, but is not limited to, all information given to or otherwise accessible to Employee that is not public information or would be exempt from public disclosure as confidential, protected, exempt or privileged information. Employee shall hold the Confidential Information in trust for City's benefit and shall not disclose the Confidential Information to others without the express written consent of City. The obligations of Employer and Employee under this Section 9 shall survive the termination of this Agreement.

SECTION 10: Outside Activities

Employee shall not engage in any employment, activity, consulting service or enterprise for compensation, or otherwise, which is, actually or potentially, inconsistent, incompatible, in conflict, inimical to or which materially interferes with Employee's duties and responsibilities to Employer. (Government Code Sections 1125 through 1129)

SECTION 11: Indemnification

- A. To the extent mandated by the California Government Code, the City shall defend, hold harmless, and indemnify Employee against any tort, professional liability, claim or demand, or other legal action arising out of an alleged act or omission occurring in the performance of employee's services under this Agreement. This Section shall not apply to any intentional tort or crime committed by Employee, to any action outside the course and scope of the services provided by Employee under this Agreement, or any other intentional or malicious conduct or gross negligence of Employee. (Government Code Sections 825, 995, et. seq.)
- B. Notwithstanding the foregoing, and consistent with Sections 53243 through 53243.3 of the Government Code, Employee shall be required, if convicted of a crime involving an abuse of Employee's office or position, to fully reimburse the City for: (1) any paid leave salary offered by the City to the Employee; (2) any funds provided for the legal criminal defense of the Employee; (3) any cash settlement related to the termination that Employee may receive; and (4) any other payments received by Employee from City that in any way relate to the foregoing.

SECTION 12: Other Terms and Conditions of Employment

Employer may fix other terms and conditions of employment, as it may determine from time to time, relating to the performance of the Employee, provided such terms and conditions are not inconsistent with or in conflict with the provisions of this Agreement or applicable law.

SECTION 13: Notices

- A. Notice pursuant to this Agreement shall be given by depositing written notification in the custody of the United States Postal Service, postage prepaid, addressed as follows:

EMPLOYER:

City of Newport Beach c/o City Clerk
100 Civic Center Drive
Newport Beach, California 92660

EMPLOYEE:

Grace K. Leung
at the home address then shown in Employer's files

- B. Alternatively, notice required pursuant to this Agreement may be personally served in the same manner as is applicable in civil judicial practice. Notice shall be deemed given as of the date of personal service or five days after the date of mailing.

SECTION 14: General Provisions

- A. Integration. This Agreement sets forth the final, complete and exclusive agreement between Employer and Employee relating to the employment of Employee by Employer. Any prior discussions or representations by or between the Parties are merged into this Agreement or are otherwise rendered null and void. The Parties by signed mutual written agreement may amend any provision of this Agreement during the life of the Agreement. Such amendments shall be incorporated and made a part of this Agreement. The foregoing notwithstanding, Employee acknowledges that, except as expressly provided in this Agreement, Employee's employment is subject to Employer's generally applicable rules and policies pertaining to employment matters, such as those addressing equal employment opportunity, sexual harassment and violence in the workplace, as they currently or may in the future exist, and Employee's employment is, and will continue to be, at the will of the City Council.
- B. Binding Effect. This Agreement shall be binding on the Employer and the Employee as well as their heirs, assigns, executors, personal representatives and successors in interest.
- C. Choice of Law. This Agreement shall be interpreted and construed pursuant to and in accordance with the laws of the State of California and all applicable City Charter provisions, Codes, Ordinances, Policies and Resolutions.
- D. Severability. If any provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances.
- E. Conflict with City Charter or Municipal Code. In the event of a conflict between the provisions of this Agreement and the City Charter, or this Agreement and the NBMC, the City Charter or the NBMC shall prevail over this Agreement. All other City personnel ordinances, resolutions, rules, and policies shall apply to Employee in the same manner as applied to other Executive Management Employees.

- F. Employee's Independent Review. Employee acknowledges that Employee has had the opportunity and has conducted an independent review of the financial and legal effects of this Agreement. Employee acknowledges that Employee has made an independent judgment upon the financial and legal effects of this Agreement and has not relied upon any representation of Employer, its officers, agents or employees other than those expressly set forth in this Agreement. Employee acknowledges that Employee has been advised to obtain and has availed oneself of legal advice with respect to the terms and provisions of this Agreement.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the dates written below.

CITY OF NEWPORT BEACH,
a California municipal corporation

EMPLOYEE,
An Individual,


By: _____
Joe Stapleton, Mayor

By: _____
Grace K. Leung

Date: July 8, 2025

Date: July 8, 2025

APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

By: 
Aaron C. Harp,
City Attorney

ATTEST:

By: _____
Molly Perry,
Interim City Clerk

[END OF SIGNATURES]