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# **NEWPORT BEACH**

## **City Council Staff Report**

September 23, 2025  
Agenda Item No. 12

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

**FROM:** Grace K. Leung, City Manager - 949-644-3001,  
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**TITLE:** Resolution No. 2025-63: Approving a Side Letter Agreement with the  
Newport Beach City Employees Association Related to CalPERS  
Pension Deductions

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### **ABSTRACT:**

In November 2021, the City Council approved a memorandum of understanding (MOU) between the City of Newport Beach and the Newport Beach City Employees Association (NBCEA). The MOU expires December 31, 2025.

At the City Council's direction, City and NBCEA representatives have been meeting to negotiate the terms and conditions of a new agreement. The negotiations are ongoing, but a Tentative Agreement has been reached regarding California Public Employee Retirement System (CalPERS) pension contributions. Should the City Council adopt Resolution No. 2025-63, the NBCEA members' pension deductions would be reduced and brought into alignment with the City's other miscellaneous employee groups.

### **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. 2025-63, *A Resolution of the City Council of the City of Newport Beach, California, Approving A Side Letter of Agreement Between the City of Newport Beach and the Newport Beach City Employees Association Related to CalPERS Pension Deductions*, and
- c) Approve Budget Amendment No. 26-027 to appropriate \$283,181.03 in increased expenditures to various City division benefit accounts, funded from unappropriated balances of the General Fund and the Water Enterprise Fund.

### **DISCUSSION:**

The CEA represents just under 100 miscellaneous positions in administrative support, finance, library services and recreational services occupations and is affiliated with the Laborers' International Union of North America (LIUNA). City staff members, CEA members, and the association's labor representatives, are engaged in ongoing negotiations over a successor MOU. A Tentative Agreement has been reached to reduce NBCEA members' CalPERS pension retirement contributions.

Under the MOU, employees contributed 13% of “pensionable” compensation toward their CalPERS pension costs. In September 2024, the City Council approved a temporary 1.5% reduction in NBCEA employees’ CalPERS contributions. The reduction is due to sunset at the end of December 2025.

The proposed side letter agreement between the City and NBCEA (Exhibit A to Attachment A), would align the association with other City miscellaneous groups in terms of members’ retirement contributions. If approved, NBCEA members’ retirement contributions would be as follows:

Tiers I & II – 8% of compensation earnable

Tier III – 8% of pensionable compensation or half the normal cost, whichever is higher

Should the City Council adopt Resolution No. 2025-63, the changes would be implemented as soon as practicable.

**FISCAL IMPACT:**

The proposed budget amendment appropriates the estimated cost of implementing this side letter for the remainder of Fiscal Year 2025-26, totaling \$283,181.03. Approximately 98% of the cost will be funded by the General Fund and 2% by the Water Enterprise Fund. The full annualized cost is estimated at \$365,233, with costs in subsequent years to be addressed through the annual budget preparation process.

**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. 2025-63

Attachment B – Budget Amendment No. 26-027