



**CITY OF**

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# **NEWPORT BEACH**

## **City Council Staff Report**

January 11, 2022  
Agenda Item No. 15

**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 (K&M)

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**ABSTRACT:**

The Newport Beach Key and Management (K&M) group is comprised of 90 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 City Council last amended the Plan in April 2019 via Resolution No. 2019-35. The Plan covered the time period of January 1, 2019, through December 31, 2021.

To promote transparency of this group's total compensation, the costs associated with draft revisions to the Plan (2022 Plan) are being submitted for public review and comment. The updated 2022 Plan, which spans the time period from January 1, 2022, to December 31, 2025, will be presented for City Council consideration and adoption at the January 25, 2022 meeting.

**RECOMMENDATION:**

- 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 approximately 84 miscellaneous (non-safety) and 6 safety unrepresented, budgeted positions in the confidential, supervisory, managerial and executive classifications.

Salient revisions of the 2022 Plan between the City of Newport Beach (City) and K&M include:

- Term of four (4) years, from January 1, 2022 through December 31, 2025
- Wage Adjustments (Non-Safety only)
  - January 2022 – 2%
  - January 2023 – 2%
  - January 2024 – 2%
  - January 2025 – 2%
- City-paid short-term and long-term disability benefits
- A one-time, lump sum payment of \$2,000 for eligible and currently active covered employees, which will not be reported to CalPERS as compensation earned/pensionable compensation
- Agreement to pilot a telecommuting program which will provide eligible employees with an annual telecommuting bank of 80 hours
- Implementation of a 401(a) defined contribution plan for executive management employees with annual city contribution equal to 2% of base pay

A proposed draft version of the 2022 Plan is included in Attachment A with changes from the current Plan in redline. Costing information is included in Attachment B. The estimated total cost of implementing the salary and benefits outlined in the Plan over the four years is \$3,674,482.

Any changes to the salary of the Police Chief and Fire Chief are tied to their existing individual employment agreements, which are negotiated with the City Manager. Although they are considered K&M employees, they are not eligible for the one-time, lump sum payment of \$2,000 being proposed in the 2022 Plan for all K&M employees absent an amendment to their employment agreements. For this reason, at the January 25, 2022, City Council meeting, the City Manager will request that the City Council authorize her to amend their current employment agreements for the limited purpose of providing them with the same bonus (\$2,000) that is being provided to other K&M employees as outlined in the 2022 Plan.

Following the City Council's review of the proposed revisions to the 2022 Plan with K&M, a final version of the successor Plan will be presented at the January 25, 2022, regular City Council meeting. The costing information and proposed revisions to the Plan will be posted for public review on the City's website.

The 2022 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:**

The detailed costing information included in Attachment B is provided on a calendar year basis. Because the effective date of the agreement is mid-fiscal year, the cost to implement the terms of the agreement for FY 2021-22 is less than the \$604,000 shown in Attachment B. It is estimated to be \$390,000 (\$176,000 for the signing bonus plus \$214,000 for the remaining six months of the fiscal year).

Additionally, the disability insurance premiums can be funded from disability insurance reserve funds on hand for the balance of the current fiscal year, and certain pension and compensated absences costs are long term in nature and will not impact the current fiscal year's budget. Should the City Council approve the Plan, the budgetary impact is therefore reduced to approximately \$344,000 in FY 2021-22.

**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