FY2027 Annual Operating Budget

Board Budget Presentation

June 22, 2026

PALOMAR HEALTH
Reimagining Healthcare

Executive Summary

This budget reflects the establishment of the Joint Powers Authority (JPA) with the University of California, San Diego (UCSD) and also reflects an approval of said relationship with a close date of June 30th, 2026

- The District budget is broken in to four areas with only one area that makes up the true operating expenses for the District
  - Leased Labor: ~$501M revenue and ~$501M expense (pass-through) net of a remaining ~$400K
  - Depreciation: $27.8M, non-cash; for remaining assets in use by the JPA
  - District Operations: $1.0M; the two cost centers being approved
  - District Taxes: $25.9M in unrestricted; and $51.7M restricted for GO bond debt service collected and passed through to bondholders
- Full accounting view shows a $(27.8M) loss; however, on a cash basis the District budget is breakeven

FY27 Budget

	Hospital District Budget	JPA Component and District Budget
NET PATIENT REVENUE	-	-
Other Operating Revenue	1,000,000	502,265,393
TOTAL REVENUE	1,000,000	502,265,393
Expenses:		
Salaries	313,779	389,681,222
SalariesContract	-	13,593,931
Benefits	79,220	98,383,240
Sub Total Labor	392,999	501,658,392
ProFees	75,000	75,000
MedSupplies	-	-
Drugs	-	-
OthSupplies	11,252	11,252
PurchSvcs	594	594
MaintRepairs	-	-
Utilities	-	-
RentLease	-	-
Insurance	-	-
Depreciation	-	27,848,780
OtherExp (excludes Alloc)	520,154	520,154
Sub Total Non Labor	607,000	28,455,780
TOTAL EXPENSES	1,000,000	530,114,173
NET INCOME FROM OPERATIONS	0	(27,848,780)

DISTRICT BUDGET OVERVIEW

- This is the District budget, the public agency that governs and holds the assets, not patient-care operations
- Net Patient Revenue is zero because patient billing sits in the operating entity (the JPA)
- Right column is the full accounting view; left column is the District as a standalone “cost center”

UNDERSTANDING REVENUE AND EXPENSE

- ~$501M of revenue and ~$501M of labor related cost are the same transaction: the District employs the workforce and is reimbursed for leasing it out to the JPA
- These cancel out — money passing through the District, not money it earns
- Another ~$27.8M is depreciation — a non-cash charge

THE DISTRICT’S TRUE OPERATING COST: ~$1M

- Remove the labor pass-through and non-cash depreciation, and the real expense footprint is ~$1M
- Expense areas include professional fees, residual payroll for assistance, and modest district expenses
- This is the budget actually being approved and overseen

KEY TAKEAWAY

- Running the District costs about $1M a year
- Capital is managed and maintained by the JPA

Governing Agreements

- Employee lease: Employee Leasing Agreement / executed 6/30/2026; governs the District's employment and lease of the workforce to the operating entity
- Use of assets: Use Agreement / executed 6/30/2026; governs the operating entity's use of District-owned facilities and equipment
- Taxes and debt service: Tax Revenue Contribution Agreement / executed 6/30/2026; governs the property tax levy for the unrestricted component
- These agreements above allow for funds to flow between entities to ensure a number of items are on a pass-through arrangement

District Taxes

- The District levies property taxes for voter-approved services
- $51.7M is collected from District property owners and passed through to bondholders for debt service
- $25.9M is collected and will be passed through to the JPA for services and may change slightly from year-to-year depending on debt service needs and property values

Approval

- Approve a budget of $1.0M in expenditures related to directly operating the Healthcare district
- Approve budgeted depreciation of $27.8M related expenses for assets used by the JPA but owned by the Healthcare District (Asset Use Agreement)
- Approve the unrestricted tax revenues in budgeted amount of $25.9M to be transferred to the JPA