Tentative Budget 2025/26

Palomar Community College District

June 10, 2025

INTRODUCTION

A college district must enact a Tentative Budget to set up funding for the first two months of the new fiscal year (July and August) while it prepares its final adopted budget for approval in September.

The Tentative Budget is the college's first exposure to **actual costs** for the 2025/26 fiscal year. All prior budget presentations contained **cost estimates**. The State of California enacts the 2025/26 budget at the end of June, and colleges will know their final revenue and expenditure metrics at that time to finalize their budgets in September.

CONTENT

The Tentative Budget contains the following documents:

1. Table of All Funds Used by the College
2. Fund 11 Summary Revenues & Expenditures
3. Fund 11 Revenue Details
4. Fund 11 Expenditure Details – Labor
5. Fund 11 Expenditure Details – Operations
6. Fund 11 Assumptions - Revenues & Expenditures
7. Fund 11 Multi-Year Projections
8. Reserves, Deficits, Cautions and Comments

1. Table of All Funds Used by the College

This table shows estimates of both revenues and expenditures as of the Tentative Budget. A more detailed display of expenditures will be provided in the Adopted Budget.

	General Fund	General Restricted Fund	Debt Service Funds	Child Development Fund	Capital Outlay Project Fund	Prop M Bond Construction Fund	Retiree Health
	11	12	23-25	33	41	42	69
Total Revenues	$215,779,957	$71,901,564	$43,858,726	$3,379,198	$40,360,168	$50,384,609	$13,492,784
Total Expenses, Debt, Transfers, & Other	$215,779,957	$71,901,564	$43,858,726	$3,379,198	$40,360,168	$50,384,609	$13,492,784
	Associated Student Trust	**Student Representation Fee Trust**	**Student Body Center Fee**	**Student Financial Aid Trust**	**Scholarship and Loan Trust**	**Retiree Health Trust**	**TOTAL ALL FUNDS**
	71	72	73	74	75	79	
Total Revenues	$286,359	$549,751	$206,038	$26,464,000	$1,061,588	$15,194,953	**$482,919,695**
Total Expenses, Debt, Transfers, & Other	$286,359	$549,751	$206,038	$26,464,000	$1,061,588	$15,194,953	**$482,919,695**

Fund 11 (Unrestricted General Fund)

Funds are UNRESTRICTED and available to meet the district's education mission. Palomar's main operating budget supports MOST of the district's ongoing operations.

Fund 12 (Restricted General Fund)

Funds are RESTRICTED. Funds provided by federal, state or local agencies through grant agreements to serve specific educational needs or populations (i.e. Disabled Students Funds).

Fund 22 -25 (Debt Service Fund)

Funds are RESTRICTED to pay for Measure M bonds. Property tax levies are deposited in these funds, and then payments are made to bond holders.

Fund 41 (Capital Outlay Fund)

Funds are both RESTRICTED and UNRESTRICTED. Funds from the state - Scheduled Maintenance - are RESTRICTED. Redevelopment Agency (RDA) funds are UNRESTRICTED.

Fund 42 (Proposition M Bond Fund)

RESTRICTED to construction projects funded with approved bonds.

Fund 69 (Retiree Health Benefits Payment Account)

RESTRICTED to pay part of the annual retiree health benefit costs each year.

Fund 79 (Retiree Health Benefits Trust Account)

RESTRICTED to pay future retiree health benefit costs.

Other Funds

This is a Scholarship Fund, Student Trust Funds, Energy Fund, Child Development Fund

2. Fund 11: Summary – Revenues & Expenditures

Summary: Revenue and Expenditures

	2024-25 Adopted	2025-26 Tentative	Change
Revenues	$ 164,386,017	$ 164,825,586	$ 439,569
Expenditures	$ 167,629,303	$ 171,563,876	$ 3,934,573
Surplus/(Deficit)	$ (3,243,286)	$ (6,738,290)	
Reserves	$ 50,954,371	$ 44,216,081	
Board Reserve Policy (16.67%)	$ 27,943,805	$ 28,599,698	

Notes:

The district's deficit grows to $6.7 million in 2025/26, more than doubling compared to the prior year

The district will continue to rely on its large reserve (fund balance) of $51 million to cover the deficit

District is projected to remain $16 million above the board reserve policy level of $28.6 million

District revenues remain relatively flat, slightly increasing by $439K compared to last year

District expenditures are up by $3.9 million compared to last year, with health care cost increases up 13% representing $2.1 million of the increase

3. Fund 11 Revenue Details

Revenue	2024-25 Adopted	2025-26 Tentative	Change	% of Funds
A. Apportionment Revenue	$140,984,443	$140,984,443	$0	85.5%
B. Other State Revenues				
Apprenticeship	$2,584,225	$2,741,863	$157,638	1.7%
Full & Part Time Faculty Funding	$6,081,491	$6,137,647	$56,156	3.7%
Lottery (per FTES)	$2,982,915	$2,218,932	($763,983)	1.3%
Mandated Costs	$556,602	$590,555	$33,953	0.4%
Other Misc State Revenes	$4,265,047	$4,876,620	$611,573	3.0%
C. Local Revenue				
Nonresident Tuition	$2,487,260	$2,346,069	($141,191)	1.4%
Other local revenues	$4,444,034	$4,825,708	$381,674	2.9%
RDA Funds for RB Ctr FTES		$103,750	$103,750	0.1%
Total Revenues	**$164,386,017**	**$164,825,586**	**$439,569**	

Notes:

Apportionment revenue is unchanged from prior year. District remains in hold harmless in 25/26 and will not receive a COLA increase on these funds

Faculty Funding is higher by $157K, reflecting COLA & FTES increase for part-time faculty health insurance.

Lottery estimate lower due to overpayment adjustment & adjustment by COLA & FTES

Other Misc. State Revenue $611K higher due to higher payment from teachers retirement fund (STRS)

Nonresident Tuition $141K lower due to anticpated fewer international student enrollments. $469 per credit for non-resident compared to $46 for in state

Other local revenues, interest income & facility fee revenue, higher by $381K due to increased enrollments

RDA Funds: We are using $103K of Poway RDA funds to increase FTES enrollments the Rancho Bernardo Center by 50 FTES.

4. Fund 11 Expenditure Details (labor)

Salaries and Benefits

	2024-25 Adopted	2025-26 Tentative	Change
Salaries			
Instructional Salaries - Full-Time Faculty	$ 28,829,583	$ 28,894,681	$ 65,098
Administrative Salaries	12,927,756	13,608,539	680,783
Instructional Salaries - Part Time Faculty	20,110,000	20,846,637	736,637
Non-Instructional Salaries - Part Time Faculty	1,808,675	1,596,908	(211,767)
Cost of FTES Increases at RB Center		103,750	103,750
Total Academic Salaries	**$ 63,676,014**	**$ 65,050,515**	**$ 1,374,501**
Classified Salaries & Classified Adm.	$ 29,986,014	$ 31,078,560	$ 1,092,546
Instructional Aides - Full-Time	1,913,645	1,874,045	(39,600)
Short-Term & Student Hourly	1,801,258	1,779,175	(22,083)
Instructional Aides Hourly- Part-Time	681,595	617,334	(64,261)
Total Classified Salaries	**$ 34,382,512**	**$ 35,349,114**	**$ 966,602**
Benefits			
STRS - State Teachers Retirement Costs	$ 14,727,546	$ 15,462,063	$ 734,517
PERS - Public Employee Retirement Costs	9,354,075	9,721,946	367,871
Social Security and Medicare Costs	3,587,029	3,692,077	105,048
Health & Welfare - Medical, Dental, Vision, etc.	17,596,392	19,919,895	2,323,503
Unemployment Insurance	249,487	250,994	1,507
Workers' Compensation Ins.	1,550,407	1,489,858	(60,549)
APPLE - Retirement costs for part-time staff	163,493	164,729	1,236
Other Benefits - TB Tests	229,922	15,700	(214,222)
Total Benefits	**47,458,351**	**50,717,262**	**3,258,911**
Salaries and Benefits	**$ 145,516,877**	**$ 151,116,891**	**$ 5,600,014**
Contra Expense, Salary/Ben Savings		***(1,819,010)***	***(1,819,010)***
Salaries and Benefits including savings	**145,516,877**	**149,297,881**	**3,781,004**

Notes:

All full-time eligible employees received a salary increase based on an additional year of service (step increase) per contracts

Academic salaries increased by $1.3 million compared to last year. Full-time faculty costs are relatively flat due to retirements of higher cost faculty replaced with lower cost faculty; Increased part-time faculty costs to help generate FTES enrollment growth of 3.8%.

Total classified salaries increased by $966K over the prior year with some increased costs associated with out of class and interim assignments and some staff getting higher pay for reclassificiation.

We are also increasing faculty costs specifically to fund FTES enrollment growth at the Rancho Bernardo Center.
The costs for additional faculty salaries & benefits are: 2025/26=50 FTES costing $103K

Medical benefits increased by 13% for FY25-26; Anthem plans increased by 11.7% & Kaiser plans by 10% on average. Also, employees moved from lower cost to higher cost plans causing overall costs to increase.

Higher overall salary bases for faculty, staff & admin. increased costs such as retirement (PERS/STRS) costs, social security, medicare and others.

Contra Expense- Salary/Ben savings is a new item that anticipates the expected turnover in staff and the savings associated with that turnover. For 2025/26, we are budgeting $1.8 million in savings.

5. Fund 11 Expenditure Details – (operations)

Operations			
	FY 2024-25	FY 2025-26	Change
Supplies	$1,375,064	$1,415,216	40,152
Services & Operations	$15,326,113	15,773,635	447,522
Capital Outlay	$1,223,842	690,652	-533,190
Transfers	$4,187,407	4,386,492	122,272
Total	$22,112,426	$22,265,995	76,757

Notes

Increased supplies and services budgets by 2.9% (Consumer Price Index)

Further work on all these budgets will occur this summer with isolating fixed costs from discretionary costs

Capital Outlay was reduced by $533K reflecting future project costs expensed in Fund 41

Transfer expenses represent $3.32 million for police/security and $412K for student wellness ctr. and remaining funds for designated projects for commencement, co-curricular activities, and transcripts.

6. Fund 11 Multi-Year Projections

Multi-Year Budget Projections

	FY 2024-25 Adopted Budget	FY 2025-26 Tentative Budget	FY 2026-27	FY 2027-28	FY 2028-29
			Projected Budget		
Revenue					
A. Apportionment Revenue	$ 140,984,443	$ 140,984,443	$ 140,984,443	$ 146,983,632	$ 156,827,340
B. Ongoing Revenues	$ 16,470,280	$ 16,565,617	$ 17,389,461	$ 18,365,173	$ 19,391,630
C. Local Revenues	$ 6,931,294	$ 7,171,776	$ 7,403,880	$ 7,689,452	$ 7,992,092
Intrafund Transfers-In -1 RDA Funds General	$ -	$ -	$ 5,000,000	$ 5,000,000	$ 5,000,000
Intrafund Transfers-in -2 RDA Funds for RB Ctr FTES	-	103,750	311,250	622,501	
D. Other Financing Sources	$ -	$ 103,750	$ 5,311,250	$ 5,622,501	$ 5,000,000
Total Revenues	**$ 164,386,017**	**$ 164,825,586**	**$ 171,089,033**	**$ 178,660,758**	**$ 189,211,062**
Expenditures					
Total Academic Salaries	$ 63,676,014	$ 65,050,515	$ 67,175,213	$ 69,698,593	$ 72,000,309
Total Classified Salaries	34,382,512	35,349,114	35,879,351	36,417,541	36,963,804
Total Benefits	47,458,351	50,717,262	53,200,407	56,275,610	59,346,637
Contra Expense, Salary/Ben Savings		*(1,819,010)*	*(1,848,114)*	*(1,877,684)*	*(1,877,684)*
Salaries and Benefits	**$ 145,516,877**	**$ 149,297,881**	**$ 154,406,856**	**$ 160,514,059**	**$ 166,433,066**
Supplies	$ 1,375,064	$ 1,415,216	$ 1,453,427	$ 1,493,541	$ 1,536,854
Operations & Services	15,326,113	15,773,635	16,199,524	16,646,631	17,129,383
Capital Outlay	1,223,842	690,652	709,300	728,876	750,014
Transfers	4,187,407	4,386,492	4,504,927	4,629,263	4,763,512
Other Operating Expenses	**$ 22,112,426**	**$ 22,265,995**	**$ 22,867,177**	**$ 23,498,311**	**$ 24,179,762**
Total Expenditures	**$ 167,629,303**	**$ 171,563,876**	**$ 177,274,033**	**$ 184,012,371**	**$ 190,612,828**
Surplus/(Deficit)	**$ (3,243,286)**	**$ (6,738,290)**	**$ (6,185,000)**	**$ (5,351,613)**	**$ (1,401,766)**
Governing Board Reserve 16.67%	$ 27,943,805	$ 28,599,698	$ 29,551,581	$ 30,674,862	$ 31,775,158
TOTAL ENDING FUND BALANCE	**$ 50,954,371**	**$ 44,216,081**	**$ 38,031,081**	**$ 32,679,468**	**$ 31,277,702**
Total Compensation as % of Expense	86.81%	87.02%	87.10%	87.23%	87.31%

Notes:

Revenue Projections:

The district's apportionment revenues remain flat through 2026/27. However, revenue increases significantly in 27/28 and 28/29 due to the district's increasing enrollments and the RB center qualifying for $2.4 million in state funding.

In 2026/27, the district is introducing $5 million in Redevelopment Agency (RDA) funds, which remain for a total of 3 years. These should be viewed as temporary in nature with the funds being withdrawn after 2028/29.

RDA funds are also being used to specifically fund FTES enrollment growth at the Rancho Bernardo Center. These funds are designed to increase enrollments at the center so the district can earn the additional state funding mentioned above.

Expenditure Projections

All salaries (faculty, staff & administrators) are projected to increase every year between 1.4% and 1.6% based on current salary step increases.

We are increasing faculty costs each year to accommodate FTES enrollment growth. The costs for additional facutly salaries to achieve the FTES growth are: 2026/27 = 577 FTES costing $980K; 2027/28 = 734 FTES costing $1.2 million; 2028/29 = 768 FTES costing $1.3 million.

We are also increasing faculty costs specifically to fund FTES enrollment growth at the Rancho Bernardo Center. The costs for additional faculty salaries & benefits are: 2025/26 = 50 FTES costing $103K; 2026/27 = 150 FTES costing $311K; 2027/28 = 300 FTES costing $622K.

Health costs are projected to increase each year by 8%. All other benefit costs increased based on projected salary increases and increases in retirement rates.

Out-year supplies and other operation costs are increased by the consumer price index (CPI) each year, which ranges from 2.5% to 2.9%.

7. Fund 11 Assumptions

	2024-25 Actuals	2025-26 Tentative Budget	2026-27 Projection	2027-28 Projection	2028-29 Projection
REVENUE					
Apportionment					
COLA	1.07%	2.30%	3.52%	3.63%	3.49%
District TCR Increase/Received COLA	0.30%	0.00%	0.00%	3.63%	3.49%
A) Hold Harmless/Funding Floor	140,984,443	140,984,443	140,984,443	140,984,443	140,984,443
B) Stability	133,257,392	130,594,034	130,445,539	139,432,727	152,113,360
C) SCFF	127,657,902	126,009,987	134,548,612	146,983,632	156,827,340
TCR (Max of A, B, C)	140,984,443	140,984,443	140,984,443	146,983,632	156,827,340
FTES/Headcount					
320 P-1 Projection					
Resident	14,619	15,174	15,751	16,485	17,253
Non-Resident	322	298	309	324	339
Total FTES	14,941	15,472	16,060	16,808	17,592
Vision Plan 2025 Enrollment Change	3.8%	3.8%	3.8%	4.7%	4.7%
Supplemental Headcount Change	3.8%	3.8%	3.8%	4.7%	4.7%
Success Factor Change	3.8%	3.8%	3.8%	4.7%	4.7%
CCCCO Approved Centers with FTES > 1,000	1.00	1.00	1.00	2.00	2.00
Expenditures					
Salary					
Step & Column (for currently filled positions)					
AA/CAST/Exec	1.6%	1.6%	1.6%	1.6%	1.6%
Classified	1.5%	1.5%	1.5%	1.5%	1.5%
FT Faculty	1.4%	1.4%	1.4%	1.4%	1.4%
Benefits					
Health and Welfare Premium Increase	5.1%	8.0%	8.0%	8.0%	8.0%
Weighted Average H&W Annual Premium	$ 23,056	(used for vacant positions as place holder)			
Mandatory (Percent of Salary)					
STRS	19.10%	19.10%	19.10%	19.10%	19.10%
PERS	27.05%	27.40%	27.50%	28.50%	28.20%
Social Security	6.20%	6.20%	6.20%	6.20%	6.20%
Medicare	1.45%	1.45%	1.45%	1.45%	1.45%
Worker's Comp Insurance	1.59%	1.59%	1.59%	1.59%	1.59%
Unemployment Insurance	0.05%	0.05%	0.05%	0.05%	0.05%
APPLE (Alt Retirement Plan)	2.50%	2.50%	2.50%	2.50%	2.50%
OPEB (Retiree Health Benefit)	$ 4,677	$ 4,677	$ 5,051	$ 5,455	$ 5,892
Other Expenses					
CA CPI	2.85%	2.92%	2.70%	2.76%	2.90%

8. Reserves, Deficits, Cautions, and Comments

Reserves

Palomar has a large reserve balance to start the 2025/26 Fiscal Year, which is estimated at almost $51 million, well above the $28.6 million board required level. Current and future budgets rely on this reserve to cover several years of projected deficits. By 2028/29, the college reserve balance is estimated at roughly $31.2 million as shown in the multi-year projections table.

Deficits

Palomar's ongoing revenues are insufficient to cover the district's expenses. The projected deficit is estimated at $6.7 million in 2025/26. We are projecting deficits of $6.1 million in 2026/27, $5.3 million in 2027/28 and $1.4 million in 2028/29. These deficits are lower than the 2025/26 deficit because we introduce three years of *temporary* revenue from the Redevelopment Agency (RDA) funds in 2026/27 of $5 million each year.

Cautions

The projected revenues in the multi-year projections *assume* Palomar will consistently grow in FTES enrollments each year. In 2027/28, we assume the college's FTES at 16,485 and the Rancho Bernardo (RB) Education Center (currently over 700 FTES) will hit 1,000 FTES and that the state apportionment revenue will be $146.9 million, roughly $6 million more than the prior year. If we don't achieve these FTES enrollment numbers, we will receive less revenue from the state. While we have increased enrollment funding each year to specifically hit the annual FTES enrollment targets and we have increased funding to increase FTES at the RB Education center each year, we should prepare a plan to lower expenses should we not hit these enrollment targets.

Comments

- The college needs to maintain and continue to focus on strategic hiring and expenditures that help achieve its FTES enrollment targets.
- The college needs to refrain from taking on any unfunded expenses such as hiring above the already budgeted amounts for personnel and operations.
- As a caution, and while it has time to plan, the district should spend the 2025/26 fiscal year identifying programs and costs it can reduce or eliminate to help lower costs should the FTES enrollment targets come in lower than planned.

- The college is using three years of Poway RDA funds (one-time funds moved in to Fund 12 restricted) to hire a full-time RB Education Center Director and a full-time Associate Dean of Early College Credit (dual enrollment) Director. If FTES enrollments at the RB Education center and dual enrollments are NOT sufficient to cover the costs of these positions in the fourth year, they should be eliminated.