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Prescott's public-safety pension debt drops nearly \$21M in past fiscal year; city's PSPRS now 84% funded



Prescott City Hall (Cindy Barks/Courier file photo)

By [Cindy Barks](#)

In the largest single-year decrease to date, the City of Prescott's debt with the Public Safety Personnel Retirement System dropped by more than \$20 million over the past year — from \$43.2 million to \$22.3 million.

The Public Safety Personnel Retirement System (PSPRS) handles the pension system for the city's police and fire departments. For years, Prescott has been showing a multimillion-dollar debt or "unfunded liability" with the retirement system.

In August 2017, Prescott voters approved a three-quarters-cent sales tax increase to help pay down the pension debt.

Since then, the city's additional contributions to the PSPRS have helped to bring the debt down dramatically from the \$86.4 million unfunded liability level in 2017. By 2018, the city had paid down the debt to \$69 million, and by 2019, it had dropped to \$56 million. In fiscal-year 2020, the PSPRS debt stood at \$43.2 million. Back in 2017, the city's police and fire department retirement systems were funded to about 30% of the level needed to pay the projected pension costs.

That "funding ratio" percentage level has gradually grown over the past four years, as the city has paid down its debt. The city's new funding ratio stands at 84.4%.

The PSPRS typically releases annual actuarial reports in December from the previous fiscal year, and those reports were made public this week.

From the information that the city received, Prescott Budget and Finance Director Mark Woodfill said Prescott's unfunded liability was \$22,347,042 in fiscal year 2020/2021.

That is down \$20,804,099 from the \$43.2 million level in fiscal year 2019/2020. The \$22.3 million total includes \$11.5 million of unfunded liability in the Prescott Fire Department, and \$10.8 million in the Prescott Police Department. During the 2020/2021 fiscal year, the city paid a total of about \$21.3 million to the PSPRS, Woodfill said. That includes \$5.8 million in the annual required contribution (ARC), which the city is obligated to pay each year to service the pension system costs.

In addition, Woodfill said the city paid \$14.5 million in revenue from the voter-approved sales tax.

Another \$1 million went to the city's unfunded liability from the State of Arizona — in an annual payment that the Arizona State Legislature approved in 2019, to be paid over the next seven years to go toward the city's pension debt related to the 2013 Granite Mountain Hotshot tragedy, during which 19 of the city's Granite Mountain Hotshots died while fighting the Yarnell Hill Fire on state land.

In the 2017 sales tax election, the ballot language for Proposition 443 asked voters to approve the 0.75% sales tax for 10 years or until the unfunded liability is paid down to within \$1.5 million.

The tax was approved by voters and went into effect on Jan. 1, 2018. At that time, the sales tax was predicted to pump about \$11 million per year into paying down the city's PSPRS debt.

Still, officials have said all along that as sales tax revenues increase, the amount paid to PSPRS would increase — likely causing the debt to be paid down in less than 10 years.

Woodfill noted this week that the city would be keeping a close watch on the sales-tax revenues in the coming year to determine when the PSPRS tax would need to sunset.

"That is something we will look at very hard while we do the budget this year," he said on Thursday, Dec. 16. The current fiscal year ends on June 30, 2022, and the City Council typically reviews and approves a new budget in the spring and early summer.

By the time the budget for the coming fiscal year 2022/2023 is set to be approved by the City Council in summer 2022, Woodfill said the city would have more information available to help determine the end date for the tax.

Once the city's unfunded liability is paid down, Woodfill said the funded level is expected to fluctuate somewhat from year to year.