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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/11

SPONSOR Begaye LAST UPDATED 02/22/11 HB 389/aHENRC

SHORT TITLE Municipal Water Storage Tank Contracts SB \_\_\_\_\_

ANALYST Aledo

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Attorney General's Office (AGO)  
 General Services Department (GSD)  
 New Mexico Municipal League (NMML)

### SUMMARY

#### Synopsis of HENRC Amendment

The House Energy and Natural Resources Committee amendment sets a maximum of 5 years for water storage tank service agreements entered into by a municipality.

#### Synopsis of Original Bill

House Bill 389 adds an exception to the procurement code allowing municipalities to enter into multiyear agreements via direct negotiations or by request for proposals for engineering, repair and maintenance of water storage tanks. The legislation limits the amount that a municipality can pay annually for water storage tank maintenance and requires the work be supervised by a New Mexico licensed engineer who will certify that the storage tank is in compliance with all applicable law.

### FISCAL IMPLICATIONS

The General Services Department is concerned that granting municipalities an exception in the procurement code for water storage tanks maintenance contracts may lead to reduced

competition in the selection process. Reduced competition may in turn lead to municipalities paying more for the service than necessary.

**SIGNIFICANT ISSUES**

According to the New Mexico Municipal League, allowing a municipality to enter into a multi-year agreement would allow for a more comprehensive and consistent maintenance system with one contractor being responsible for maintenance rather than multiple contractors for specific tasks. Currently 41 states now allow municipalities to enter into multi-year professional services agreements for tank maintenance. The New Mexico Municipal League supports this legislation and has adopted a resolution in support.

GSD contends that HB 389 conflicts with the primary tenants of the procurement code which are in place to ensure fair and open solicitations and that taxpayer dollars are spent in a reasonable, documented, and legitimate manner.

MCA/bym