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FISCAL IMPACT REPORT

ORIGINAL DATE 01/27/11
 LAST UPDATED 03/01/11 **HB** _____

SPONSOR Neville

SHORT TITLE Municipality Water Storage Tank Contracts **SB** 180/aSJC

ANALYST Archuleta

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	NFI	NFI	NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 New Mexico Environment Department (NMED)
 New Mexico Municipal League (NMML)

No Response Received From

General Services Department (GSD)

SUMMARY

Synopsis of SJC Amendment

The Senate Judiciary Committee Amendment deletes language amending the Procurement Code to make multi-year service contracts for engineering, repair and maintenance of water storage tanks exempt from the provision of the Procurement Code.

Synopsis of Original Bill

Senate Bill 180 amends the Municipal Code authorizing municipalities to enter into multi-year service contracts for the engineering, repair and maintenance of water storage tanks and related infrastructure. The bill also amends the Procurement Code to make such contracts exempt from the provisions of the Procurement Code.

FISCAL IMPLICATIONS

Senate Bill 180 does not have a fiscal impact.

SIGNIFICANT ISSUES

This bill would permit municipalities to enter into contracts for maintenance and repair of water storage facilities and pay for that service over a period of years instead of the current requirements that all repairs or maintenance be paid in full in the year in which the service was rendered.

In addition, NMED indicates the bill provides for direct negotiation of service contracts. Direct negotiation for services may not provide the best service at the lowest price. Competitive Requests for Proposals (RFP's) are likely to provide the best value for municipalities.

PERFORMANCE IMPLICATIONS

NMML suggests that passage of this bill will result in making the payment for major service and maintenance on water storage facilities more flexible and not subject to the strict bid requirements of the Procurement Code.

ALTERNATIVES/AMENDMENTS

DFA suggests that the language in the bill should include removing and replacing the word "or" with the word "subsequent" in the proposed change to Section 1 to read "by direct negotiation subsequent to solicitation of requests for proposals".

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Municipalities will continue to contract for and pay for major service to water storage infrastructure under the current procurement system.

DA/bym:svb