

**CITY OF HOUSTON, TEXAS**  
**REQUIRED YEAR 2000 SUPPLEMENTARY INFORMATION**  
**June 30, 1999**

**Year 2000 Readiness Disclosure Supplementary Information (unaudited)**

This document is a Year 2000 Readiness Disclosure, as provided by Public Law 105-271, the "Year 2000 Information and Readiness Disclosure Act" (the "Act"). This document (including all statements made herein) and its maker are entitled to all of the protections provided by the Act.

In October 1998, the Governmental Accounting Standards Board ("GASB") issued Technical Bulletin 98-1, Disclosures about Year 2000 Issues. The provisions of the GASB technical bulletin, effective for financial statements on which the auditor's report is dated after October 31, 1998, require the City of Houston to make disclosures about its state of readiness in addressing Year 2000 issues for its internal computer systems and equipment. On March 29, 1999, GASB issued Technical Bulletin 99-1, which amended the previously issued disclosure requirements allowing for the disclosure to be made in the required supplementary information ("RSI").

The Year 2000 issue is the result of shortcomings in electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond.

The following stages have been identified by the GASB as necessary to implement a Year 2000 compliant system:

**Awareness Stage** - In this first stage, an organization establishes a budget and project plan (for example, a time line or chart noting major tasks and due dates) for dealing with the Year 2000 issue.

**Assessment Stage** - While in this stage, an organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components for Year 2000 compliance or, through a risk analysis, identify only mission-critical systems and equipment-systems and equipment critical to conducting operations to check compliance.

**Remediation Stage** - During this stage, an organization actually makes changes to systems and equipment. This state involves the technical issues of converting existing systems, or switching to compliant systems. Decisions are made on how to make the system or processes Year 2000 compliant, and the required system changes are made.

**Validation/Testing Stage** - At this stage, an organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are critical for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and re-tested.

In March 1997, the City initiated a citywide Year 2000 Project coordinated by the Information Systems Advisory Committee. Accordingly, a subcommittee was formed to begin working with all City departments to ensure consistent awareness of the Year 2000 issues and to develop a consistent approach to address them. The subcommittee developed the following approach:

**Phase I - Analysis:** Inventory the City's automated and embedded systems; determined whether or not to modify, retire, or replace the system.

**Phase II - Remediation:** Implement efforts to bring all identified systems into Year 2000 compliance; Contact vendors who provide goods and services to the City of Houston to determine their compliance position; Implement a procedure to determine and respond to the Year 2000 impact on city-owned and leased facilities.

**Phase III - Testing/Implementation:** Conduct tests where feasible to ensure compliance.

**Phase IV - Contingency Planning:** Determine whether or not the City will be Year 2000 compliant by January 1, 2000; if not, identify steps required to continue to operations. In this phase, consider not only the City's level of compliance but that of City vendors as well.

**Independent Verification & Validation (IV&V):** Engage an outside independent contractor to conduct testing and analysis of the City's systems to verify compliance.

In October 1998, the Technology Steering Committee was formed to provide increased oversight of large technology issues and to ensure Year 2000 issues get addressed. The Year 2000 compliance program applied increased emphasis on the following:

- Communications and Computer Systems
- Facilities and Equipment with date-sensitive components
- Vendors and Suppliers - assure the availability of required goods and services

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- Independent Verification and Validation (IV&V)
- Community Awareness
- Emergency Preparedness
- Legal Issues

The City has made every effort to complete all the above referenced phases, which address the Year 2000 readiness issues.

Since January 1999, emphasis has been placed on the Contingency Planning Phase. In order to address any unforeseen problems, departments have developed contingency plans. Plans will address computer hardware/software failures and embedded chip abnormalities, as well as, electrical power failures and vendor supply issues. Emergency preparedness exercises were conducted within departments, and a general Citywide exercise was conducted in October 1999.

Finally, to ensure due diligence in the compliance effort, an independent verification and validation process as well as the facilities walkthrough is to be conducted by an independent contractor. The IV&V process and the facilities walkthrough are expected to be complete by November 1999.

### **Major Systems**

Citywide initiatives to address Year 2000 compliance issues have been in place since 1992. The current status of the City of Houston's major applications is as follows:

***Core Business Systems:*** The core business systems consist of financial accounting, human resources, payroll, purchasing and inventory. In August 1997, the City Council approved a contract with American Management Systems, Inc., to provide all the City's core business systems. These systems were contractually warranted to be Year 2000 compliant. All systems were implemented by December 1998.

***Public Safety Systems:*** The public safety systems consist of police computer aided dispatch, fire computer aided dispatch, and 911. The police computer aided dispatch and 911 were remediated by March 1999 through a third party contractor who is responsible for systems maintenance. The fire computer aided dispatch system is being remediated by contract programmers and fire technical programming staff.

***Other critical revenue and public safety systems:*** All mission critical departmental systems including Municipal Courts, Water Billing, Traffic Safety, and Water/Sewer Systems should be Year 2000 compliant.

### **Funding**

In Fiscal Year 1999, the City spent an estimated \$23 million addressing Year 2000 compliance issues. For Fiscal Year 2000, the City anticipates spending an additional \$5.6 million on such issues. Approximately \$3 million will be spent on outside contract firms for validation and verification and facilities walkthroughs.

### **Departmental Networks and Personal Computers**

Departmental networks and personal computers were all inventoried and appear to be Year 2000 compliant. Any replacement system(s) are expected to be in place by November 1999.

### **Embedded Devices**

Embedded devices have been inventoried by the respective department(s) and if necessary, they have developed plans for repairing, retiring and/or replacing the non-compliant devices. The facilities walkthrough is expected to be complete by November 1999.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the City is or will be Year 2000 ready, that the City's remediation efforts will be successful in whole or in part, or that parties with whom the City does business will be Year 2000 ready.