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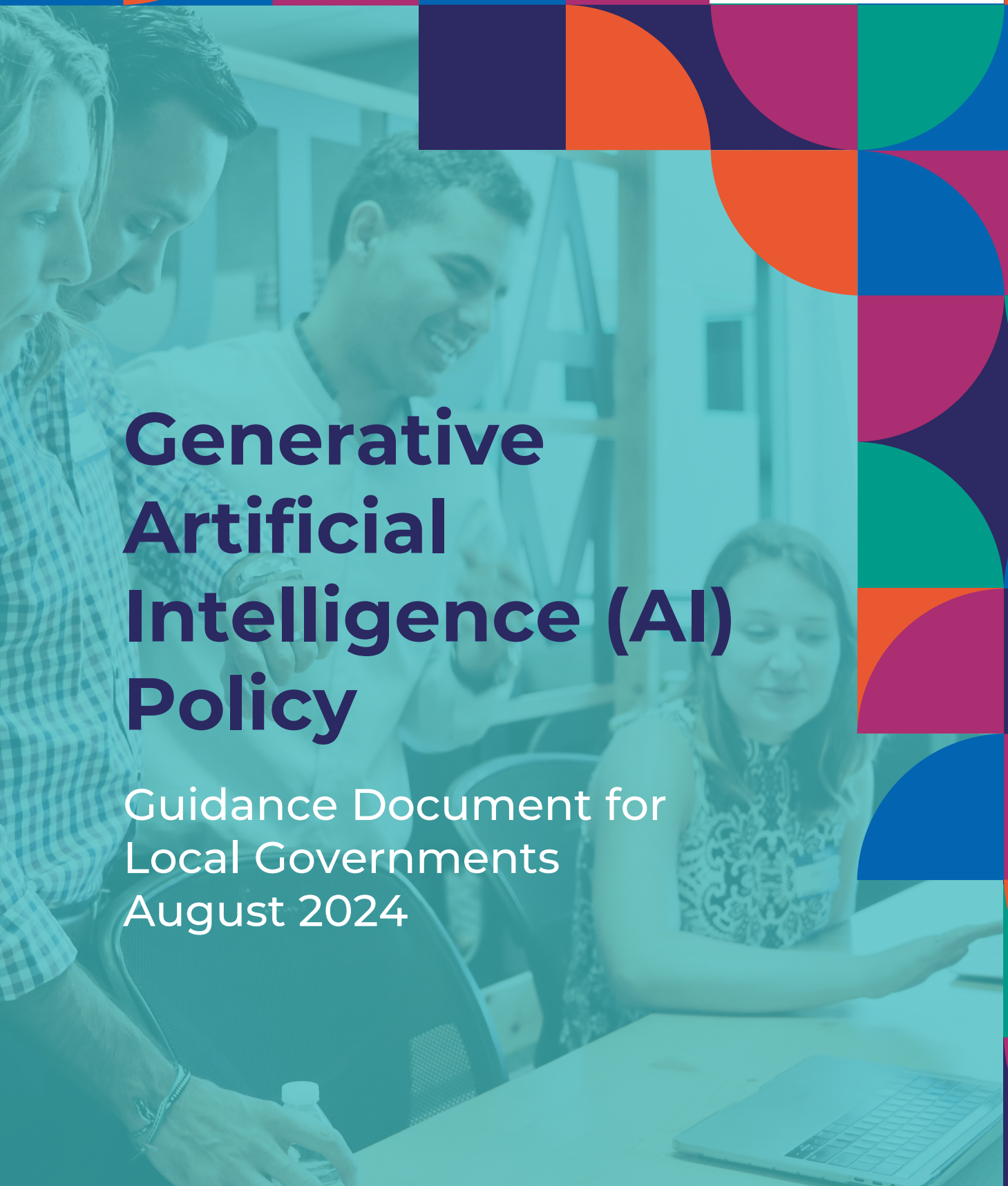


Generative Artificial Intelligence (AI) Policy

Guidance Document for Local Governments
August 2024

Overview & Purpose of the Guide

Generative artificial intelligence (AI) has the ability to analyze data, enhance customer service and improve efficiency and productivity when used by individuals and organizations. Local governments seeking to utilize generative AI technologies are advised to develop policies that guide its acquisition, usage and management of associated risks such as bias, privacy, cybersecurity and legal compliance. This guide is designed to support local governments with the development of generative AI usage policies that respond to emerging "good practices," including:

- Assessment of generative AI needs and potential risks;
- Transparency and accountability; and
- Consideration of guiding principles and ethics.

The guide was developed by Centralina staff using original research and interviews with good practice case-study cities;[1] in addition, Centralina formed a regional AI working group of local governments actively developing their own approaches to utilizing generative AI. Active members of the working group included representatives from Mecklenburg County, Union County, Town of Davidson, Town of Indian Trail, Town of Mooresville, City of Lowell and City of Albemarle. These local governments' experiences in developing policies for their organizations helped to inform our recommendations and approach.

Introduction

What is Artificial Intelligence?

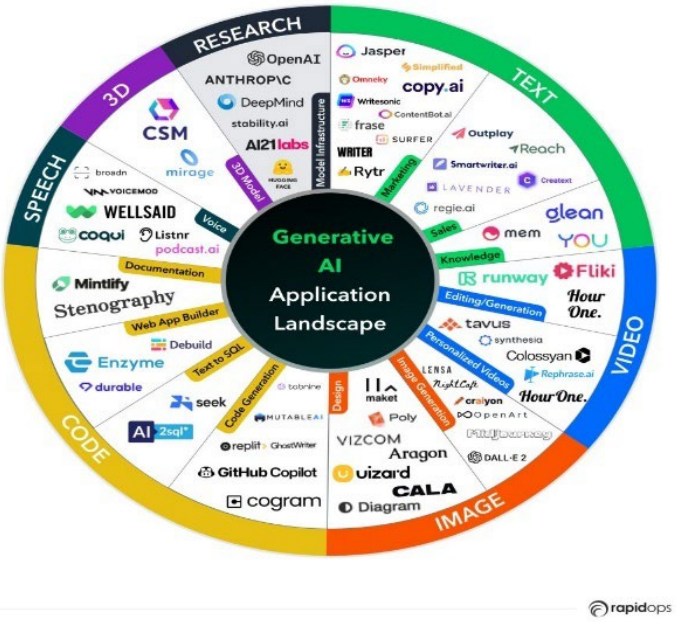
Artificial intelligence (AI) refers to the simulation of human intelligence in machines that are programmed to think and learn like humans. It encompasses a wide range of techniques and approaches, aiming to enable machines to perform tasks that typically require human intelligence, such as visual perception, speech recognition, decision-making and language translation.

AI systems often rely on algorithms and data to analyze patterns, make predictions and solve problems. These systems can be trained to recognize patterns in large datasets, adapt to new information and improve their performance over time. Key areas of AI include machine learning, natural language processing, computer vision, robotics and expert systems.

[1] Case studies included: Boston, MA; Phoenix, AZ; San Jose, CA and Seattle, WA.

What is Generative AI?

Generative AI is a subset of AI technology that creates content upon request by a user. This technology utilizes vast amounts of data and machine learning techniques to generate content based on user prompts. Generative AI systems are sophisticated tools that leverage large language models, algorithms, deep learning and machine learning to produce various types of content. These systems can even translate input into different forms like text-to-code. Tools like ChatGPT for written content and DALL-E for visual content are growing in popularity in professional spheres. The graphic at the right shows the emerging landscape of generative AI applications and tools.



What are You Using Generative AI for?

Every local government has specific objectives, needs and priorities. Initiating discussions with internal stakeholders, including employees and managers, helps identify where generative AI technologies can enhance operational efficiency and enhance problem solving. Whether optimizing individual productivity, streamlining organizational processes or facilitating comprehensive problem-solving, integrating generative AI into workflows offers substantial potential for improving overall governmental effectiveness.

Individual Productivity

Organizational Productivity

Organizational Problem Solving

By leveraging generative AI technology to benefit an organization's operations, AI can improve service delivery and assist in decision making processes. Below are a few popularized uses of AI generated assistance:

- Writing Job Descriptions
- Drafting Emails
- Creating Videos
- Generating Meeting Notes
- Developing Images
- Analyzing Data
- Summarizing Documents
- Writing Code

Understanding the purpose and need of generative AI is a key step in preparing to develop a policy. The use of generative AI will shape how your organization acquires and manages tools for your workforce.

What is a Generative AI Usage Policy?

A generative AI usage policy is a set of guidelines and procedures established by an organization to govern the responsible and ethical use of generative AI technologies within its operations. A policy outlines the organization's objectives, principles and protocols related to the acquisition, utilization and management of generative AI systems and tools. In addition, a policy can address key issues and risk areas such as:

- Data privacy;
- Transparency;
- Bias mitigation;
- Accountability;
- Security measures;
- Regulatory compliance; and
- Ethical considerations.

A generative AI usage policy can bolster efforts to ensure that technologies are used in a manner that aligns with an organization's values, minimizes potential risks and maximizes benefits for employees and those served by the organization. Strong policy documents should reference emerging "best practices" to ensure responsible and effective deployment of AI within an organization. By establishing clear directives on what practices to follow and what pitfalls to avoid, these procedures support the integration of generative AI technologies in ways that align with organizational objectives and emerging standards.

Policy Components for Consideration

In reviewing the good practice models from case-study cities, a set of common components emerged that Centralina offers here as a framework. The chart below outlines each component and provides a short definition or description. The remainder of this section dives deeper into the policy components by providing additional guidance and suggestions for the policy development process.

Summary of Key Policy Components

Component	Definition / Description
AI Definitions	A definition of what specific AI technology the organization is addressing in the AI usage policy. While some organizations go more in-depth (i.e. predictive analytics, machine learning, deep learning, generative AI, automated decision making, etc.), other policies use a blanket definition of AI technology to encompass all forms. *Note the sample policy below focuses on generative AI technology.*
Core Principles or Values	A list of core principles to connect the AI usage policy to the organization's values and mission. This also provides an organization with guidelines that assist in decision-making and mitigating known risks associated with AI.

	See section below for additional insights and suggestions
Policy Statement / Purpose	A statement or paragraph outlining the organization's stance toward AI technology and acknowledging the potential impacts and threats of usage within the organization.
Governance & Decision Making	Structure and responsibility for AI governance, which includes the decision-making process for how generative AI systems, tools or applications can be acquired by an individual, department or organization-wide.
Specific Policies & Procedures	Specific policies and associated procedures with AI usage that align to the core principles and assist users in mitigating risks.

Deeper Dive into Components

Core Principles or Values to Guide Use

A set of core principles or values in an organization's generative AI policy can be valuable in articulating the benefits of AI and identifying how risks can be mitigated. It is important to actualize core principles by linking them to established policies and procedures, thereby linking values to actions.

Examples of AI policy principles from case-study cities include:

- Empowerment
- Inclusion
- Validity
- Innovation
- Equity
- Transparency
- Fairness
- Privacy
- Resiliency
- Risk Management

Clear, well-defined policies translate abstract principles into concrete guidelines, fostering a cohesive culture and consistent behavior among staff. This alignment helps in building trust, accountability and a strong organizational identity when utilizing new technology like generative AI. Moreover, it provides a framework for decision-making and conflict resolution, promoting long-term sustainability and success.

Governance and Decision Making

The governance spectrum for generative AI technology ranges from advanced oversight to a more passive tracking system. For example, what type of process governs the acquisition of generative AI tools or systems? Local governments should consider where their organization lives along the spectrum of governance shown below and if decisions are made at the individual, department or organizational levels.

No oversight or tracking means that AI tools can be acquired without a specialized governance process; this could mean that an individual or department would simply follow an established procurement process. Passive tracking indicates that an individual or department makes an IT department or management aware that an AI tool has been acquired. Further along the governance spectrum, a local government may require additional approvals at the department or organizational management level prior to acquisition. This could enable screening the proposed generative AI tool for certain risks, alignment with policy values, interoperability with existing systems or other factors.

Policies & Procedures: Operational Considerations

Policies and related procedures can align the organization's operational norms while supporting the organization's generative AI usage goals. Managers should strive to balance control with the creativity that productive use of AI tools can provide. Here are a few good practices:

- Require "human-in-the-loop" (HITL) review of all generative AI outputs – this simply means that an individual must review any product produced by AI for alignment to policy goals and organizational values.
- Prohibit use of personal identifying information in any generative AI prompt – this is essential to protecting privacy and managing risk.
- Require citations – provide procedures on how and when to cite work created through or using material from generative AI. This includes embedding citations directly into generated videos or images and citing written work when substantial portions of language come from an AI text generator. Consider how AI-generated work is used by paid consultants and if there is specific contract language that should be included.
- Clarify records management – provide policy and procedure language to address content or information created by generative AI technology that may be subject to the Public Records Act. For example, a procedure that requires each employee to document the platform, prompt and product from AI generators each time the technology is used.
- Educate employees - In addition to the generative AI usage policy, additional steps must be implemented to ensure all employees understand the purpose, benefits and inherent risks of generative AI technology. Continuous education and training can assist organizations in staying current with the quickly evolving technology. Training topics may include data security, public records, citations and how to maximize utilization and effectiveness.

Sample Policy Language

The following is intended to serve as a sample policy that follows the key components suggested above and draws on good practices from the case study cities.

Policy Statement: [City/Town Name] approves the use of generative artificial intelligence (AI) for [specify purpose or application] to serve the [City/Town Name], subject to alignment with the key principles and governance structure for decision-making outlined below.

Scope: Applies to generative AI acquisition, use/deployment and management for:

- All departments, employees, contractors and elected officials of [City/Town Name].
- All instances where generative AI functionality is known to be included, such as new tools for existing products, new products being considered for use or AI technology developed by [City/Town Name] employees, contractors, partner agencies or other stakeholders.

[City/Town Name] is committed to the responsible and ethical development and deployment of AI technologies. Recognizing the significant societal impact and innovation potential of AI, we believe it is our duty to ensure that its use aligns with [City/Town values, i.e. transparency, accountability, privacy]. Therefore, we establish our generative AI policy, outlining the principles, policies and procedures that will govern the acquisition and use of generative AI in conducting business and delivering services.

Key Principles:
The acquisition and use of generative AI tools, applications and systems shall be consistent with the following principles:

- **Innovation:** The [City/Town Name] is committed to fostering public service innovation to meet community needs. We will responsibly explore and evaluate AI technologies that enhance our services and contribute to positive outcomes for our community.
- **Transparency and Accountability:** Transparency and accountability are fundamental values for the [City/Town Name]. We will ensure the transparent development and deployment of generative AI and comply with all applicable laws and regulations.
- **Bias Reduction and Fairness:** Recognizing the potential for AI systems to perpetuate inequity and bias, the [City/Town Name] will evaluate generative AI outputs through an equity lens. This evaluation will address potential impacts such as discrimination and unintended harms arising from data, human or algorithmic biases.
- **Privacy:** Protecting personal data is a priority for the [City/Town Name]. We will implement policies and standard operating procedures to minimize privacy risks throughout the development, testing, deployment and use of AI systems.
- **Validity and Reliability:** The [City/Town Name] will prioritize the reliability and consistent performance of AI systems under expected conditions of use. Ongoing evaluation of system accuracy throughout the development and deployment lifecycle will be managed, governed and auditable to the fullest extent possible.
- **Explainability and Interpretability:** The [City/Town Name] understands the importance of using AI systems, models and outputs that are easily interpreted and explained. We will ensure that all AI systems and their models are explainable to the extent feasible, and that system outputs are communicated clearly and appropriately for their intended use and deployment context.
- **Security and Resiliency:** Safeguarding our data, systems and infrastructure is critical. The [City/Town Name] will evaluate AI systems for resilience and ensure they maintain

the confidentiality, integrity and availability of data and critical [City/Town] systems. Protection mechanisms will be implemented to mitigate security risks to the greatest extent possible.

Policies & Related Procedure:

1. The acquisition of generative AI technology shall be managed by the IT Department and subject to available funding. Any new acquisition shall follow all established procurement processes and the following procedures:
    a. For software packages or applications with generative AI extensions, tools or add-ons: IT Department shall review requests from departments to enable or turn on AI functions if use it deemed consistent with this policy.
    b. For generative AI technologies not already under license by the Town/City: Department shall submit a generative AI acquisition request to the IT Manager to include a description of its intended use and benefits. The IT Manager shall review requests according to the department's current risk and impact methodology, which shall include specific review criteria for generative AI technology. The IT Manager shall either approve or deny a request based on these criteria and any additional guidance provided by management.
    c. The use of limited trial or free generative AI tools is not allowed.
    d. The use of personal generative AI accounts for [City/Town] business is not allowed.
2. All generative AI content or outputs shall undergo human review ("Human-in-the-Loop" or HITL) prior to use.
    a. IT Department shall provide annual training to all [City/Town} personnel on the standards for this review and how to ensure content adheres to the principles herein. Training shall be incorporated into new employee onboarding.
    b. Each [City/Town] department director or their designee shall review and document steps taken to evaluate AI-generated content to ensure accuracy, maintain privacy, mitigate bias or discrimination against protected classes and other factors as determined by the IT Department.
    c. Content deemed unacceptable shall not be used for any internal or external purpose unless prompts are adjusted to generate a different output that is then reviewed and approved.
3. The [City/Town] shall be transparent and accountable in its use of generative AI technology for any product or service.
    a. Documentation related to generative AI policy and systems currently being used by the [City/Town] shall be made publicly available on the [City/Town] website.
    b. Departments shall use caution in approving the use of AI technologies that record meetings and generate meeting transcripts or summaries. The use of this technology for any meeting hosted by [City/Town] shall be disclosed to participants in advance of the meeting and reiterated at the start of the meeting. [City/Town] staff shall discontinue the use of the technology if any participant is unwilling or uncomfortable participating.
    c. Any content created by generative AI shall be attributed to the appropriate generative AI system or tool that created it. Where feasible, attributions and citations to [City/Town] should be embedded in the image or video (e.g., via digital watermark). Attributions should include the name of the AI system used along with a "Human-in-the-Loop" (HITL) assertion, indicating the department or group that reviewed or edited the content.
    d. Any consultant, contractor or other vendor under contract with [City/Town] shall disclose the use of generative AI in any publicly funded work product or service and shall follow all applicable policies and procedures described herein.

4. No personally identifiable information ("PII") for either staff, clients, constituent shall be utilized in any Generative AI system, tool or output.
5. The use of generative AI, including the prompts, outputs and other work products is subject to the [City/Town] Data Management and Public Records Policy.
    a. Use of generative AI technology and applications should be consistent with the existing standards described in the [City/Town Policy].
    b. All records generated, used or stored by generative AI vendors or solutions may be considered public records and must be disclosed upon request.
    c. All generative AI solutions and/or vendors approved for [City/Town] use shall support retrieval and export of all prompts and outputs, either through application features or vendor contract assurances.
    d. Employees using generative AI tools shall maintain or be able to retrieve records of inputs, prompts and outputs upon request, adhering to [City/Town]'s [City/Town Policy, i.e. Data Management and Public Records]

Non-Compliance:
[Title (i.e. IT Director, CIO, etc.)] is accountable for ensuring adherence to this policy. Enforcement actions may be coordinated with division directors and department leaders. Non-compliance may lead to disciplinary measures or restrictions imposed by department leaders.

Periodic Review: This policy will be periodically reviewed and updated to address emerging challenges and changes in generative AI-related frameworks.

Developing a Generative AI Usage Policy for Your Local Government

Recommended Processes for Policy Development

With the high potential for generative AI rewards and risks, we recommend an inclusive policy development process that is either led by the local government manager or is heavily influenced by their point of view. We further recommend active engagement of the following groups:

Internal Departments

Within an organization, consider departments and/or leadership roles that can contribute to the development of an AI policy. For example, an IT Department may have an existing data privacy or security committee that could serve as a starting point. Departments will surface different use cases or needs for generative AI technologies. Consider forming a working group that includes potential heavy users or departments with varying needs.

Employee Engagement

Connecting with employees during the policy development process can ensure the policy bolsters existing organizational goals and priorities. Employee input is crucial and will result in an inclusive policy that will offer the most beneficial uses to daily operations. Be sure to communicate to your workforce that a policy is under-development to ensure that employees are not actively using AI without the organization's knowledge or guidance.

External Stakeholders & Experts

Local universities, research institutes and peer organizations have the potential to share their expertise and inform your generative AI policy. Collaboration with other organizations on an internal generative AI usage policy can benefit greatly from additional research, knowledge and perspectives.

Additional Considerations for Developing a Generative AI Usage Policy

1. Acquire insights into essential ethical considerations and best practices for addressing bias, discrimination and privacy concerns in generative AI policy frameworks, ensuring the equitable deployment of generative AI technologies.
2. Explore practical approaches to involve diverse stakeholders in the policy-making process, including techniques for gathering and integrating community feedback effectively.
3. Consider engaging the public or specific end user groups in developing AI policies; understanding public concerns and perceptions of risk maybe helpful in developing responsive policies and procedures and fostering trust in governance.

Timeline and Tips

Every local government has its own method for developing policies and procedures. Some provide that ability directly to the local government manager or require a vote by the governing body. Whatever the process is, be familiar with it and plan accordingly. If you require your board's approval to change a policy, ensure the timing of this proposal is well-planned and on the agenda. Ensure you plan in advance to accommodate review processes and mechanisms to support efficient and timely reviews and avoid roadblocks for progress and innovation.

Cost and Funding

There are some generative AI systems that are free of cost, yet these applications may possess greater risks in data security and validity. Many commonly used platforms like Microsoft and Google now have built in AI assistance that is an "add-on" to licenses. Before turning on these features and absorbing the cost, we recommend testing their use with a group of employees. With any purchase of AI tools or systems, local governments should also invest in employee training to ensure that the tools are used effectively, and employees are trained on your AI usage policy.

Additional Resources

Example Policies

- The New York City Artificial Intelligence Action Plan. *Link*
- The City of Boston Interim Guidelines for Using Generative AI. *Link*
- The City of San Jose Generative AI Guidelines. *Link*
- The City of Tempe Ethical Artificial Intelligence Policy. *Link*
- The City of Seattle Generative Artificial Intelligence Policy. *Link*

Networks

- ICMA: Generative AI Resource Page *Link*
- Bloomberg Philanthropies City AI Connect *Link*

How Centralina Can Help

Need guidance or a helping hand? Centralina's experience can help you understand and navigate AI technology and the external and internal impacts on local governance.

This document was created as part of Centralina Regional Councils AI Working Group initiative.

See www.centralina.org and "Member Portal" for additional resources to support our communities.

For additional information, please reach out to Joe Salicco, Community Economic Development Specialist, at jsalicco@centralina.org.