

LLMs in Municipal Practice: Managing Generative AI in the City Attorney’s Office

Managing the Impact of Generative AI (2025–2027)

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Generative artificial intelligence is already affecting the daily work of city attorneys. Tools capable of drafting ordinances, summarizing contracts, and identifying legal issues in seconds are no longer experimental—they are being used in law offices across Texas.

For municipal lawyers, the question is not whether these tools will be used, but how to use them responsibly. Accuracy, confidentiality, public-information obligations, and professional judgment remain non-delegable duties. This article outlines practical benefits, real risks, and specific steps municipal attorneys can take now to integrate AI safely.

Abstract

This article examines the rapid integration of generative artificial intelligence into municipal law practice between 2025 and 2027, identifying both practical benefits and significant legal and ethical risks. It proposes governance, training, and policy measures for municipal attorneys and organized bars to ensure responsible adoption.

Introduction: A New Era for the City Attorney’s Office

Generative artificial intelligence (AI) has become an unavoidable reality in the daily practice of municipal law. Large language models (LLMs) such as ChatGPT, Claude, and Gemini are now capable of drafting ordinances, summarizing development agreements, and analyzing zoning disputes in seconds. Between 2025 and 2027, these tools will permanently reshape how city attorneys, outside counsel, and legal departments deliver services.

The pace of change has been staggering. The ABA Task Force on Law and Artificial Intelligence, in its final Year 2 Report released in December 2025, concluded that AI “is no longer an abstract concept” but “has become key to reshaping the way we practice, serve our clients, and safeguard the rule of law.”¹ That report documented over 100 legal-aid use cases for generative AI and found that 55% of surveyed law schools now offer AI-related coursework.² Meanwhile, a recent survey found that while 75% of lawyers now use AI in some capacity, only 25% have received formal ethics training on its use—an “ethics gap” that municipal counsel can ill afford.³

Municipal lawyers stand at the intersection of public duty and technological disruption. Unlike private practitioners, city attorneys must balance efficiency and innovation with open-records obligations, public transparency, and heightened ethics constraints. This article assesses how LLMs are transforming municipal practice, identifies practical benefits and real-world risks, and proposes specific steps for Texas’s organized municipal bar to ensure that public law offices integrate AI responsibly.

LLMs in Municipal Practice: Promise and Peril

A. Key Advantages

- **Efficiency and Cost Reduction.** LLMs dramatically accelerate drafting and review. Ordinances, contracts, and agenda materials that once took hours can now be prepared in minutes—with appropriate human review. City attorneys using validated systems report up to 40% time savings in preliminary drafting of resolutions and memoranda.⁴
- **Access to Expertise Across Departments.** Smaller cities that lack in-house specialists can now access on-demand assistance in specialized areas like procurement law, Chapter 380 economic development agreements, and public-information exemptions.⁵
- **Institutional Knowledge Preservation.** Turnover in city attorney offices often means the loss of institutional memory. Properly trained, firm-specific or city-specific LLMs can capture decades of ordinances, contracts, and opinions in a searchable form that persists beyond personnel changes.⁶
- **Real-Time Legal Research and Decision Support.** Next-generation tools integrated with statutory databases allow immediate issue-spotting—such as detecting conflicts between proposed zoning amendments and Chapter 211 requirements—without leaving the drafting window.⁷
- **Citizen Communication and Transparency.** Municipal websites and public-meeting portals increasingly employ AI to summarize agendas, explain ordinances, and translate legal text into plain language, strengthening civic engagement.⁸
- **Operational Modernization.** By early 2026, public-sector AI adoption had moved beyond the “pilot purgatory” phase. State and local government IT leaders report embedding AI into core decision workflows and administrative processes, from permit review to budget analysis.⁹

B. Key Risks and Drawbacks

- **Accuracy and “Hallucination.”** Even high-end models fabricate case citations and misstate statutory provisions at alarming rates. A Stanford analysis found that some AI tools hallucinate in roughly one of every three legal queries. The problem is not theoretical: as of early 2026, researchers have documented over 700 instances of AI-

generated hallucinations appearing in court filings worldwide, with at least 518 documented in U.S. proceedings since January 2025 alone.¹⁰

The consequences are increasingly severe. In February 2026, a federal judge in the Southern District of New York imposed terminal sanctions—including default judgment against the client—after an attorney repeatedly filed AI-generated hallucinated citations despite multiple warnings.¹¹ Sanctions for AI hallucinations have ranged from \$1,000 reprimands to \$31,100 in combined penalties, with at least one attorney removed as counsel of record and referred to the state bar.¹² City attorneys remain fully responsible for verification under Texas Disciplinary Rule 1.01 and ABA Model Rule 1.1.¹³

- **Confidentiality, Public Information, and Privilege Waiver.** Uploading draft contracts or personnel matters into public AI systems can waive attorney-client privilege or create unintended public records under the Texas Public Information Act.¹⁴

A landmark February 2026 ruling dramatically underscored this risk. In *United States v. Heppner*, Judge Jed Rakoff of the S.D.N.Y. ruled that 31 documents a criminal defendant generated using a consumer AI platform (Claude) were protected by neither attorney-client privilege nor the work-product doctrine—even though the defendant had input information received from his attorneys into the tool.¹⁵ The court held that an AI tool is not an attorney, owes no duty of loyalty or confidentiality, and that the platform’s privacy policy disclosed the possibility of data retention and third-party disclosure. Critically, the court found that sharing privileged attorney communications with a public AI platform may constitute a waiver of the privilege over the original communications themselves.¹⁶

For municipal counsel, *Heppner* is a flashing red light. City attorneys routinely handle privileged litigation strategy, personnel matters, and exempt records. Any use of a public, consumer-grade AI tool for such materials now carries the demonstrated risk that those materials lose all legal protection. Municipal AI-use policies must draw a bright line between enterprise-grade, non-training platforms with contractual confidentiality protections and consumer tools that offer none.

- **Erosion of Junior-Lawyer Development.** City and firm associates increasingly rely on AI for initial research and drafting. The ABA Year 2 Report cautioned that over-reliance on AI risks eroding the professional judgment and factual discernment

essential in municipal law. Without structured mentorship and supervised manual work, the training pipeline for competent municipal counsel narrows.¹⁷

- **Bias and Fairness.** LLMs trained on uncurated public data may reproduce bias in land-use enforcement, code-compliance narratives, or HR investigations. Algorithmic outputs must be checked for neutrality and factual support before use in enforcement decisions, consistent with the NIST AI Risk Management Framework.¹⁸
- **Accountability and Attribution.** Because city legal work occurs in a public environment, disclosure of AI assistance in public documents may be advisable or required by policy. Over 300 federal and state judges have now adopted AI-specific standing orders or local rules governing disclosure in court filings, creating a patchwork of requirements that municipal litigators must track.¹⁹
- **Budget and Staffing Disruption.** Automation may reduce outside-counsel hours but increase the need for technology training and oversight. The ABA Year 2 Report warned that high subscription costs for reliable AI tools risk widening rather than narrowing the justice gap if access-to-justice organizations and smaller municipal offices are priced out. Municipal budgeting processes should anticipate both savings and new costs in secure AI infrastructure.²⁰

The Organized Bar’s Role: Practical Steps for Municipal Lawyers

A. Addressing the “Cons”

- **Mandatory AI Literacy for City Attorneys.** By 2025, multiple state bars—including Texas—have recognized AI literacy as a component of professional competence. In February 2025, the State Bar of Texas Professional Ethics Committee issued Opinion 705, the first formal Texas-specific guidance on generative AI, grounding AI obligations in familiar ethical territory: competence under Rule 1.01, confidentiality under Rule 1.05, verification and candor, and reasonable billing. The Texas City Attorneys Association (TCAA) and Texas Municipal League (TML) should incorporate AI-specific sessions into their CLE programming that address not

only the technology itself, but the practical distinctions between consumer and enterprise platforms that Opinion 705 did not fully resolve.²¹

- **Model Confidentiality Protocols.** Following ABA Formal Opinion 512 and the cautionary lesson of *Heppner*, public law offices should adopt written AI-use policies specifying approved platforms, data-handling procedures, and absolute prohibitions on uploading confidential, privileged, or exempt records into any system whose terms of service permit data retention, model training, or third-party disclosure. These policies should be reviewed and updated no less than annually.²²
- **Traffic-Light Classification System.** Municipal AI policies should adopt a tiered approach to permissible uses: **Red Light** (Prohibited)—inputting confidential client data, privileged strategy, or exempt records into any public or unvetted AI tool, and using AI for final decision-making without human review; **Yellow Light** (Cautious)—AI-supported legal research and analytics subject to mandatory dual-review; **Green Light** (Standard Use)—summarizing public documents, drafting initial templates from public sources, and translating legal text into plain language, with all outputs verified by a licensed attorney.²³
- **Ethics Sandbox for Municipal Innovation.** A “municipal sandbox” could allow supervised experimentation by city attorneys using vetted AI tools for drafting or open-records review, subject to oversight by the Texas Center for Legal Ethics. Utah’s Office of Legal Services Innovation provides a model for structured experimentation within regulatory boundaries.²⁴
- **Bias Auditing and Transparency Standards.** Cities adopting AI for code enforcement, permitting, or HR investigations should require vendor bias audits consistent with the NIST AI Risk Management Framework. At least 25 state-level bills enacted in 2025 required public agencies to implement safeguards when using AI tools, including acceptable use policies, impact assessments, and human oversight mandates.²⁵
- **Human-in-the-Loop Requirement.** Municipal law offices must institutionalize human validation of every AI-assisted document. Supervising attorneys should review and sign off on all AI outputs, preserving mentorship and accountability. The

Fifth Circuit has declined to adopt AI-specific standing orders on the ground that existing rules already require verification—but this makes the supervising attorney’s personal responsibility all the more clear.²⁶

B. Supporting the “Pros”

- **CLE Certification and Mentorship Programs.** The State Bar’s Technology Section and TCAA could jointly sponsor certification tracks in “Municipal AI Competence,” reinforcing safe adoption and standardizing training statewide. The ABA’s Year 2 Report noted that AI education in law schools is growing but remains insufficient; practitioner-level training is even more urgently needed.²⁷
- **Bar-Vetted Vendor Partnerships.** TML and TCAA can negotiate discounted, secure licenses with AI vendors offering Texas-specific legal data protection agreements. Enterprise-grade platforms with contractual non-training, non-disclosure provisions should be the minimum standard for any municipal deployment.²⁸
- **Court and Policy Guidance.** Courts increasingly require disclosure of AI assistance in filings. The Northern District of Texas requires a generative AI disclosure statement under Local Rule 7.2(f), and the Southern District has issued its own AI-use requirements. A Texas-wide model policy—endorsed by TCAA—could ensure consistent treatment across jurisdictions and reduce ethics complaints. At least one commentator has proposed that the patchwork of disclosure rules be replaced by a uniform federal standard, an approach Texas municipal counsel should monitor.²⁹
- **Knowledge-Sharing Consortium.** A municipal counterpart to the Sedona Conference could publish best-practice papers on AI in open-records management, land-use litigation, and public-meeting documentation. Organizations like the GovAI Coalition are already helping local governments craft AI governance strategies and template policies; TCAA should participate actively in these efforts.³⁰
- **Local Government AI Policy Development.** As of mid-2025, only about 21 out of roughly 22,000 cities and counties nationwide had publicly released AI use policies. Texas cities should lead rather than follow. The Center for Democracy and Technology has identified five common trends in effective local government AI

policies: drawing from multi-level governance frameworks, aligning with existing legal obligations, prioritizing risk mitigation, promoting transparency and public engagement, and advancing human oversight.³¹

The Six-Month Imperative: A Unified AI Competence Standard

For the municipal bar, the most urgent step is formal recognition of AI competence as a core professional duty. The ABA’s Year 2 Report concluded that the profession has reached a “pivotal moment”: AI adoption has surpassed understanding.³² The ABA Center for Innovation has now assumed responsibility for carrying forward the Task Force’s recommendations, signaling that the organized bar considers this a permanent priority, not a passing concern.³³

A model standard should require city attorneys and their teams to:

- Understand how generative models operate, their data sources, and limitations;
- Verify all substantive outputs through independent legal research;
- Safeguard privileged or exempt materials by using only enterprise-grade, contractually secured platforms;
- Disclose material AI assistance in public documents where appropriate, and in court filings as required by applicable standing orders or local rules;
- Supervise all AI-assisted work in compliance with Rule 5.03 of the Texas Disciplinary Rules of Professional Conduct; and
- Advise clients explicitly that communications with public AI tools are not privileged, are likely discoverable, and may constitute waiver of privilege over the underlying information shared.³⁴

Absent a unified standard, inconsistent local policies will heighten risk and reduce public trust. A statewide rule—adopted through TCAA endorsement and State Bar comment—would harmonize training, malpractice coverage, and disclosure practices for municipal counsel. The window for proactive leadership is narrowing; as the ABA’s Task Force advisor Stephen Wu has written, “Lawyers will provide critical aid to AI governance efforts by promoting legal compliance, managing legal risks, and, most importantly, preserving the rule of law.”³⁵

Conclusion: A Public-Law Approach to Responsible Innovation

Municipal law practice is uniquely public. Every misused tool risks not only client harm but also community mistrust. Yet, when governed wisely, generative AI can enhance transparency, accelerate service delivery, and strengthen public confidence in local government.

The developments of 2025 and early 2026 have removed any remaining doubt about whether AI will transform legal practice. The question is whether the transformation will be managed or chaotic. Over 700 documented hallucination cases, a landmark privilege-waiver ruling, more than 300 judicial standing orders, and the ABA’s conclusive finding that AI has moved “from experiment to infrastructure” all point in one direction: the municipal bar must act now.

By leading, not following, on AI governance, the Texas municipal bar can ensure that LLMs expand capacity without compromising ethics or accountability. The task before us is not to resist the machine, but to teach it how to serve the rule of law.

Footnotes

1. ABA Task Force on Law and Artificial Intelligence, *Addressing the Legal Challenges of AI: Year 2 Report on the Impact of AI on the Practice of Law* (Dec. 15, 2025) (quoting ABA Immediate Past President William R. Bay).
2. *Id.*; Colleen V. Chien & Miriam Kim, *Generative AI and Legal Aid: Results from a Field Study and 100 Use Cases to Bridge the Access to Justice Gap*, 57 Loy. L.A. L. Rev. 903 (2025).
3. NexLaw AI, *AI & Legal Ethics: A Guide to ABA Rules in 2025* (surveying attorney AI usage and training gaps).
4. Thomson Reuters, *Generative AI in the Legal Industry: 2025 Benchmark Report* (May 2025).
5. ABA Center for Innovation, *AI and Access to Justice Initiative* (2024 Progress Report).
6. Deloitte Legal, *The Legal Department of the Future* (2023).
7. LexisNexis, *Generative AI in Legal Research: Accuracy Benchmarking Study* (Mar. 2025).
8. PwC Law, *Client Experience in the Age of AI* (2024); Urban Institute, *A New Approach to Helping Local Governments Navigate Generative AI* (June 2025).
9. NASCIO, *State CIO Top Ten Policy and Technology Priorities for 2026* (noting AI overtook cybersecurity as the top priority for state CIOs for the first time in over a decade); *see also* Center for Digital Government, *2026 Tech Trends in State and Local Government*.
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11. *See Affable Labs, Inc. v. Hireology, Inc.*, No. 24-cv-5281 (N.D. Ill. Feb. 2026) (imposing default judgment as terminal sanction for repeated AI-generated hallucinated filings after multiple warnings).
12. *See, e.g., Noland v. Land of the Free, L.P.* (Cal. Ct. App. Sept. 12, 2025) (\$10,000 sanction and state bar referral); *Coomer v. Lindell* (D. Colo. July 7, 2025) (\$3,000 per attorney); *Johnson v. Dunn* (N.D. Ala. July 2025) (\$5,000 fine).
13. ABA Model Rules of Prof'l Conduct R. 1.1 & 3.3 (2024); Tex. Disciplinary Rules Prof'l Conduct R. 1.01.
14. Tex. Gov't Code ch. 552 (Public Information Act).
15. *United States v. Heppner*, No. 25-cr-00503-JSR (S.D.N.Y. Feb. 10, 2026) (oral ruling from the bench).
16. *Id.*; *see also* Jones Walker LLP, *Your AI Conversations Are Not Privileged: What a New SDNY Ruling Means for Every Lawyer and Client* (Feb. 11, 2026).
17. ABA Task Force Year 2 Report, *supra* note 1; Michael J. Bommarito & Daniel Katz, *AI and the Lawyer Training Pipeline*, 37 Geo. J. Legal Ethics 121 (2024).
18. NIST, *AI Risk Management Framework Version 1.0* (Jan. 2023).
19. RAILS (Responsible AI in Legal Services), *AI Use in Courts Tracker* (documenting over 300 judicial standing orders as of late 2025); Standing Order on AI Use, N.D. Tex. (June 2023); S.D. Tex., General Order 2025-04.
20. ABA Task Force Year 2 Report, *supra* note 1 (“Financial accessibility to the access-to-justice community must be raised and addressed regularly with legal AI developers.”); PwC, *Legal Industry Outlook 2025* (2025).
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22. ABA Formal Op. 512 (July 2024); Texas Center for Legal Ethics, Op. No. 705 (Feb. 2025); *United States v. Heppner*, *supra* note 15.
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27. State Bar of Texas, Technology Section, AI Competence CLE Series (Spring 2025); ABA Task Force Year 2 Report, *supra* note 1 (reporting that 55% of surveyed law schools offer AI-related courses).
28. *Id.*
29. Standing Order on Artificial Intelligence Use in Filings, N.D. Tex. (2023); S.D. Tex., General Order 2025-04; Vermont Law Review, *Mandatory AI Disclosures: Enforcing a Uniform Standard* (Dec. 1, 2025).
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31. Center for Democracy & Technology, *AI in Local Government: How Counties & Cities Are Advancing AI Governance* (Apr. 29, 2025) (analyzing 21 publicly available municipal AI policies); Route Fifty, *Report: How Local Governments Can Prioritize Responsible AI Adoption* (May 29, 2025).
32. ABA Task Force Year 2 Report, *supra* note 1.
33. *Id.* (transferring responsibility from Task Force to ABA Center for Innovation).
34. Tex. Disciplinary Rules Prof'l Conduct R. 5.03 (2024); *United States v. Heppner*, *supra* note 15.
35. ABA Task Force Year 2 Report, *supra* note 1 (quoting Task Force advisor Stephen Wu).

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Sidebar: Five Immediate Steps City Attorneys Should Take on AI in 2026

1. Adopt a written AI-use policy. Identify approved platforms, prohibit entry of confidential or privileged information into public tools, and establish review procedures.

2. Require verification of all AI-generated legal content. Case citations, statutes, and quotations should always be independently confirmed before use.

3. Train attorneys and staff. Provide at least basic instruction on how generative AI works, its limitations, and ethical obligations under the Texas Disciplinary Rules of Professional Conduct.

4. Define permissible use categories. Many offices find a traffic-light approach effective: green (public information and drafting assistance), yellow (research with review), and red (confidential or privileged materials).

5. Monitor court rules and ethics guidance. Disclosure requirements and professional standards relating to AI are evolving rapidly, particularly in federal courts and appellate practice.

Final Thoughts for Texas Municipal Lawyers

Texas municipal lawyers operate in an environment where transparency, public accountability, and litigation exposure intersect daily. The Texas Public Information Act, Open Meetings Act requirements, and the realities of civil-rights and employment litigation mean that any technology affecting drafting, communications, or records management carries legal consequences. Generative AI can improve efficiency and service delivery, but only if city attorneys apply the same disciplined judgment they bring to ordinances, contracts, and pleadings. By adopting clear policies, training staff, and maintaining rigorous verification practices, Texas cities can use these tools to strengthen—not weaken—public trust in local government.

The responsibility of the municipal lawyer has always been to safeguard both the law and the public trust; in the age of artificial intelligence, that responsibility remains the same—only the tools have changed.