



WASHOE COUNTY

Integrity Communication Service

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STAFF REPORT

BOARD MEETING DATE: December 16, 2025

DATE: November 21, 2025

TO: Board of County Commissioners

FROM: Dave Solaro, Assistant County Manager

THROUGH: Kate Thomas, County Manager

SUBJECT: Recommendation that the Board of County Commissioners authorize the Chair to execute a settlement and release agreement between Washoe County and Madison AI, Inc., a Delaware corporation, reflecting the previous and ongoing collaboration between Washoe County and OnStrategy, Inc. in the development of intellectual property. Pursuant to the proposed agreement, Washoe County will receive a cash payment of five hundred thousand dollars (\$500,000) and (ii) a ten (10) year non-exclusive, non-transferable, and royalty-free license to utilize the Platform and memorialized in a Software License Agreement to be executed contemporaneously with and contingent upon the execution of this Agreement, in consideration for (i) the ongoing and continuing product development, marketing, and sales services supporting the commercialization of the Platform a knowledge assistant for local governments to research, reference and generate documents based on County's code, board decisions, agendas, and policies. (All Commission Districts)

SUMMARY

Staff is requesting that the Board of County Commissioners authorize the Chair to execute a settlement and release agreement between Washoe County and Madison AI, Inc., a Delaware corporation, reflecting the previous and ongoing collaboration between Washoe County and OnStrategy, Inc. in the development of intellectual property. This action is intended to resolve all outstanding matters related to the County's contributions to the development of the knowledge assistant platform and to formalize the terms of future use and collaboration. The purpose of this report is to provide the Board with an overview of the proposed agreement, which is designed to both recognize the County's investment in innovative technology and to secure long-term access to a platform that supports efficient research, document generation, and reference capabilities for local government operations.

Approval of this agreement will ensure that Washoe County is positioned to benefit from ongoing advancements in artificial intelligence tools for local government.

AGENDA ITEM # _____

This initiative aligns with Washoe County's broader strategic objectives by leveraging technology to improve public service delivery and operational transparency. The collaboration with Madison AI, Inc. exemplifies the County's proactive approach to integrating innovative solutions into its governance framework, thereby enhancing its capacity to serve the community effectively.

Washoe County Strategic Objective supported by this item: Fiscal Sustainability.

PREVIOUS ACTION

The Board of County Commissioners has not yet taken formal action to approve agreements between Washoe County and Madison AI, Inc. regarding the intellectual property developed in collaboration with OnStrategy, Inc.

In May 2024, Washoe County approved a purchase order (PO #6500005662) for a contract with M3 Planning, Inc. dba OnStrategy, in the amount of \$150,000, for the development of an AI Report Writing Tool. The purchase order specified that Washoe County's contribution would not exceed \$150,000 through Phase 2 and established an ownership and profit-sharing structure for the Report-Writing AI Tool. The agreement also outlined that capital and resource contributions would be agreed upon at each phase of development, and that any disposition occurring at Phase 2 or Phase 3 would result in repayment of invested amounts prior to any profit sharing.

BACKGROUND

The development and execution of the proposed settlement and release agreement between Washoe County and Madison AI, Inc. is rooted in a series of collaborative efforts and legal frameworks that govern the County's engagement in technology innovation, intellectual property, and public-private partnerships. The following background provides context for the current recommendation, focusing on the evolution of the County's involvement in artificial intelligence (AI) solutions for local government, the legal and regulatory environment, and alignment with strategic planning initiatives.

Washoe County's pursuit of advanced technology solutions to support government operations has included targeted work in AI and knowledge management platforms. The County's initial engagement with OnStrategy, Inc. (M3 Planning, Inc. dba OnStrategy) was formalized through a purchase order in May 2024, which established a framework for the co-development of an AI Report Writing Tool. This arrangement reflected a broader intent to leverage AI for automating research, document generation, and referencing County codes, board decisions, and policies, thereby enhancing efficiency and service delivery for both staff and elected officials.

The collaborative model adopted by the County and OnStrategy, Inc. was designed to balance resource contributions, intellectual property rights, and profit-sharing, while also providing for phased development and clear terms for ownership and disposition of jointly developed assets.

As the project advanced, the need to clarify and formalize the County's rights and interests in the resulting intellectual property became increasingly important. The

emergence of Madison AI, Inc. as a key stakeholder in the commercialization and ongoing development of the platform necessitated a comprehensive settlement and release agreement. This agreement is intended to resolve any outstanding claims or ambiguities regarding the County's contributions, ensure continued access to the platform, and support the County's ongoing role in product development and commercialization activities.

The County's authority to enter into settlement agreements and to license or release claims related to intellectual property is governed by both state law and local ordinances. Under Nevada Revised Statutes (NRS) and Washoe County Code, the Board of County Commissioners holds the exclusive authority to approve settlements exceeding specified monetary thresholds and to authorize the execution of agreements that affect County assets or legal rights. Specifically, NRS 244.1605 grants counties the power to enter into contracts and agreements necessary for the management of county affairs, while NRS 332.115 exempts software and related technology procurements from competitive bidding requirements, thereby facilitating direct negotiation of technology partnerships and settlements.

The proposed agreement is also subject to the general principles of contract law under the State of Nevada, as stipulated in the governing law provisions of the settlement document. The agreement includes standard representations and warranties regarding authority, enforceability, and the absence of conflicting obligations, as well as provisions for modification, assignment, and third-party beneficiary rights. The release and covenant not to sue provisions are designed to provide finality and legal certainty for all parties, including OnStrategy, Inc. and its affiliates, in accordance with established legal standards for settlement agreements.

Washoe County's investment in AI-driven knowledge management aligns with the County's adopted strategic objectives, particularly those related to innovative service delivery, operational effectiveness, and fiscal sustainability. The Washoe County Strategic Plan identifies technology innovation as a key driver for improving public service outcomes, streamlining internal processes, and enhancing transparency and accountability. The development and deployment of the knowledge assistant platform directly support these goals by enabling more efficient access to critical information, reducing manual workload, and fostering data-driven decision-making across County departments. In addition, the County's approach to technology partnerships and intellectual property management is informed by best practices outlined in regional and departmental technology plans, which emphasize collaboration, risk mitigation, and the protection of public investments in innovation.

The current agreement is structured to ensure that the County retains long-term, royalty-free access to the platform, while also participating in the ongoing evolution and commercialization of technology in a manner consistent with public sector values and legal requirements. The ongoing partnership outlines County staff involvement in the continued ongoing development of tools to assist local governments in efficiently providing services to the community.

FISCAL IMPACT

The fiscal impact of the proposed settlement and release agreement and software license agreement is characterized by both immediate and long-term financial considerations for Washoe County.

The agreement provides for a direct cash payment to the County of \$500,000, which will be recognized as non-tax revenue in the fiscal year in which it is received, and is not subject to repayment or encumbrance by any third party. The source of these funds is external to the County's general fund and does not require a local match or additional appropriation from existing County resources. The revenue will be recognized in account 101840-485300 with standard County financial procedures and will lapse into fund balance at the end of the year as required by law and accounting standards to be available for allocation at the discretion of the Board in future budget cycles..

In addition to the cash component, the County will receive a ten-year, non-exclusive, non-transferable, and royalty-free license to utilize the knowledge assistant platform valued at approximately \$500,000 in 2025 dollars. This license represents a significant in-kind benefit, as it eliminates the need for annual software licensing fees or recurring subscription costs that would otherwise be required for comparable technology solutions. The value of this license is expected to result in cost avoidance over the term of the agreement, supporting the County's broader financial strategy to leverage technology investments for operational efficiency and long-term savings. The license is contingent upon the execution of the settlement agreement and will be memorialized in a Software License Agreement, ensuring that the County's rights to use the platform are secured without additional software licensing obligation. The license agreement does contemplate that should the County utilize modules with the AI engine, it will incur a hard cost of \$6,000 per module. Any department utilizing specific AI modules developed for their use will absorb the costs within the FY26 adopted budget and/or address any funding needs via the appropriate budget cycle.

The fiscal impact analysis also recognizes that the agreement resolves all outstanding claims related to the County's prior investments in the development of the platform, thereby mitigating the risk of future litigation or financial liability associated with intellectual property disputes. This finality supports fiscal stability and allows for more predictable financial planning.

RECOMMENDATION

Staff recommends the Board authorize the Chair to execute a settlement and release agreement between Washoe County and Madison AI, Inc., a Delaware corporation, reflecting the previous and ongoing collaboration between Washoe County and OnStrategy, Inc. in the development of intellectual property. Pursuant to the proposed agreement, Washoe County will receive a cash payment of five hundred thousand dollars (\$500,000) and (ii) a ten (10) year non-exclusive, non-transferable, and royalty-free license to utilize the Platform and memorialized in a Software License Agreement to be executed contemporaneously with and contingent upon the execution of this Agreement, in consideration for (i) the ongoing and continuing product development, marketing, and sales services supporting the commercialization of the Platform a knowledge assistant for

local governments to research, reference and generate documents based on County's code, board decisions, agendas, and policies.

POSSIBLE MOTION

Should the Board agree with the staff's recommendation, a possible motion would be:

"Move to authorize the Chair to execute a settlement and release agreement between Washoe County and Madison AI, Inc., a Delaware corporation, reflecting the previous and ongoing collaboration between Washoe County and OnStrategy, Inc. in the development of intellectual property. Pursuant to the proposed agreement, Washoe County will receive a cash payment of five hundred thousand dollars (\$500,000) and (ii) a ten (10) year non-exclusive, non-transferable, and royalty-free license to utilize the Platform and memorialized in a Software License Agreement to be executed contemporaneously with and contingent upon the execution of this Agreement, in consideration for (i) the ongoing and continuing product development, marketing, and sales services supporting the commercialization of the Platform a knowledge assistant for local governments to research, reference and generate documents based on County's code, board decisions, agendas, and policies."