



ALABAMA MUNICIPAL INSURANCE CORPORATION MUNICIPAL WORKERS COMPENSATION FUND, INC.



Loss Control Division

MUNICIPAL FACILITIES AND SPECIAL EVENTS

Municipalities often provide their citizens with special events such as arts and craft shows, fundraisers, fairs, parades, or displays of fireworks. These events -- whether the municipality or an outside organization sponsors them -- may create liabilities and hazards that the municipality must control. The municipality should consider insurance coverage for all events, but especially for any events that create a moderate to severe exposure for the municipality, for its employees, and for participants.

An effective method of reducing its exposure is for the municipality to seek the sponsorship of an outside organization. Suitable organizations include civic groups and non-profit charities, the Chamber of Commerce and the Rotary Club. These organizations often want to participate in such events as a means of self-promotion and fund-raising for their activities. These organizations usually do an excellent job of securing volunteers, selecting vendors, and providing additional staff to police the event once it is underway.

For a municipality, using such organizations may ease the implementation of risk transfer. This can minimize its exposure if the special event results in claims of any kind. If a municipality decides to use an outside organization as a sponsor for an event, the municipality should establish an acceptable minimum amount of liability coverage based on an evaluation of the degree of risk. Besides complete liability coverage, including liquor liability or coverage for fireworks when appropriate, the municipality may also require or need automobile liability coverage, and workers' compensation.

Hold harmless/indemnity agreements are written agreements whereby one party agrees to hold the other party harmless should a loss occur. When renting facilities, the municipality should consider requiring all renters to assume all liability for any claims arising from the event and/or use of the facilities.

Evaluate the Event

Before trying to seek the participation of an outside organization(s) to sponsor an event, the municipality should evaluate how hazardous the event may be. To do this, the municipality should assess:

- (1) The activity itself,
- (2) Any physical activity the event may require of participants, and
- (3) Any exposure to participants

The assessment essential in determining if the outside organization is capable of handling the event.

1) The Activity

Some activities -- fireworks displays, for example -- may be inherently dangerous. Fireworks have the potential to kill and maim. Because they are so popular, they attract large crowds -- often in the thousands. This increases the hazard. Other events such as small concerts or theatrical performances are low hazard. Activities such as art fairs, picnics, ice cream socials, and parades pose only a moderate hazard. Generally, activities that draw small audiences or numbers of participants and require little active participation pose fewer problems than do activities, such as carnivals with amusement rides, which invite physical participation by citizens.

2) Size

Size also contributes to the hazard. The municipality must consider its size and resources compared to the size of the crowd it believes the event will draw. For example, a small village of 500 that holds a summer fair may attract 1,500 people. The temporary tripling of the population might pose significant problems in crowd control if the fair area is not sufficiently large, if there is inadequate parking, or if fair vendors sell alcohol. A larger community, with greater facilities and law enforcement resources, would have an easier time handling such a situation effectively.

3) Exposure to Participants

A municipality should also consider the safety of participants and/or spectators. Some activities pose little danger to participants. Others may result in injuries to spectators or participants. Loss hazard events include outdoor social gatherings at which the municipality prohibits alcohol, small theatricals, and community garage sales that do not require participants to physically participate or to participate minimally.

Dances, family concerts such as holiday songfests, parades without floats, or picnics with games or competitions that offer the opportunity to participate pose a moderate hazard.

Parades with floats, marathons, animal shows, circuses and similar events are high hazard because they pose a moderate to severe exposure to spectators or require major participation by those who attend the event. Finally, any event that draws a crowd of 1,000 to 5,000 people falls in the high hazard group.

Fireworks, rodeos, rock concerts, professional sporting events, and any event where event sponsors permit alcohol increase the potential for serious problems, as do events that draw crowds over 5,000 people. Municipalities should review these types of events very carefully. Municipalities should ensure that they are able to control the crowd at the location, direct traffic and monitor the sale of alcoholic beverages adequately. They must also consider medical emergencies and emergency evacuation plans.

ALCOHOLIC BEVERAGES

It essential for the municipality to strictly control and monitor the serving of alcoholic beverages on municipal premises or at functions that the municipality sponsors or approves. Keep the following in mind:

- The municipality should first carefully consider whether serving alcohol is essential to the event's success, especially if the municipality itself is the sponsor.
- The state may require a Liquor License for any function on municipal premises at which event sponsors serve alcoholic beverages and money changes hands. The event does not have to set specific per drink charges for the liquor, beer, or wine. For example, the sponsors of party held in a community center may charge all participants an entry fee of \$10.00.
- The municipality should require the group sponsoring the event to apply for and secure the Liquor License.
- Although the municipality should always review the specific statutes and regulations regarding alcoholic beverage sales, in general, only licensees are subject to claims under the law.
- The municipality should require the licensee to secure liquor liability and general liability insurance coverage in the licensee's name for the event. The coverage documents should name the municipality as an additional insured. Before the event, the licensee should provide the municipality with the proof of insurance.
- The limits of liability must be adequate for the type of event, the size of the crowd, and other factors that may contribute to the exposure to participants as well as to the municipality. The municipality should determine and establish acceptable minimum limits of liability.
- The municipality should allow adequate time before the event for the event's sponsor to obtain appropriate coverage.

Use of Facilities

Sometimes, outside groups want to use town halls, parks, meeting rooms or other municipal facilities to hold events. These events may range from business meetings to farmers' market. These outside groups fall into three broad categories: individuals, non-profit or charitable groups, and for profit groups.

Individuals rent or request the use of municipal facilities for events such bridal showers, weddings, or anniversary parties. The municipality should require individuals to enter a hold harmless/indemnity agreement and to provide the municipality with proof that they have adequate limits of personal liability coverage. This coverage is normally part of the individual's homeowner's or renter's insurance policy.

Non-profit or charitable groups include civic groups such as the Rotary Club, religious organizations, and service groups. Their activities usually take the form of fund-raising events or meetings. The municipality should require the organization to enter a hold harmless/indemnity agreement. In addition, the municipality should also establish acceptable minimum of complete liability coverage. The nature of the event should determine the coverage, which might include personal, bodily injury, and property damage as well as products liability and completed operations and contractual liability. The policy should name the municipality as an additional insured. When appropriate, the municipality should have the organization demonstrate it has adequate workers' compensation insurance coverage

For-profit groups use municipal facilities for commercial purposes. These groups may wish to hold seminars or other educational events for which attendees pay a fee or to hold craft fairs, or garage sales. These groups should to enter hold harmless agreements that shift liability from the municipality to the groups. The municipality should also establish acceptable minimums of complete commercial general liability coverage (occurrence) depending on the nature of the event. The policy should name the municipality as an additional insured. If applicable, the municipality should require the organization to demonstrate adequate workers' compensation coverage. The for-profit group should also have auto liability and no-fault coverages, including owned, non-owned, and hired vehicles if applicable.

Municipalities can effectively manage the use of their facilities by using written agreements or contracts. No single form will meet every need, but the forms do not have to be complicated. All agreements or contracts should contain:

- Date(s) and time(s) of the event
- Location(s) of the event
- Exact premises involved
- The name(s) of the individuals an/or groups involved
- The exact reason for the agreement (in this case, rental of a municipal facility)
- Compensation and/or consideration
- Hold harmless/indemnity language
- The signatures of all parties involved

A municipality should always seek legal counsel when developing such agreements or contracts. Before entering a rental agreement, the municipality should require the individual or group renting the facility to provide evidence of insurance.

In addition, the municipality should consider having groups and individuals that rent municipal facilities sign documents that address the following:

1. Clean up instructions and responsibilities.
2. Pick up and return of municipal keys.
3. Forfeiture of deposit if the individual or groups does not meet all conditions.
4. Permanent or temporary alterations to municipal facilities.

As with all important issues, we encourage you to discuss your concerns with an expert knowledgeable in the field and with your attorney.

NOTE: This document is not intended to be legal advice. It does not identify all the issues surrounding the particular topic. Public agencies are encouraged to review their procedures with an expert or an attorney who is knowledgeable about the topic. Reliance on this information is at the sole risk of the user.¹