



RISK MANAGEMENT INFORMATION
**LOSS CONTROL RECOMMENDATIONS
WHEN ALCOHOL IS SERVED**

The potential liability of the city for events where alcohol is served depends on the city's relationship to the party that is serving the alcohol. Clearly, if the city is selling the alcohol itself through its municipal liquor store or other department, it could be liable under the Dram Shop Act. If it is licensing a group or renting its facilities to a group to serve alcohol, its liability would be different. The nature of its liability determines what precautions it takes in terms of insurance and agreements. The following are examples of different relationships the city has with groups when alcohol is served and recommendations as to what the city can do to protect itself.

City Licenses a Non-Profit Group to Sell Beer at a Non-City Event

The city should require the non-profit group to have a reasonable amount of liquor liability coverage such as \$500,000. Since the event is not on city property or is a city event, the city would not be concerned about general liability coverage or other conditions.

City Licenses a City-Related Non-Profit Group (e.g. fire relief association, city hockey association) to Sell Beer

The city should require the group to have at a minimum of \$500,000 liquor liability coverage and the city should be named as an additional insured. The fire relief association and similar types of groups are covered under the city's LMCIT general liability coverage. Since the city could be liable for the actions of the group, it should make sure that the group runs the event properly which includes some level of server training, security and maintenance for the event.

City Contracts with Vendor to Sell Beer at City-Sponsored Event

The city should require the vendor to have a minimum of \$500,000 liquor liability coverage and the city should be named as an additional insured on that policy. The city should make sure that the vendor's employees have had server training. Since it is a city-sponsored event, the city should make sure that the location is adequately maintained and security is provided. The vendor should also have general liability insurance and name the city as an additional insured on that policy.

City Contracts with Vendor to Sell Beer in a City-Owned Facility

The city's liability and responsibility are the same as in a city-sponsored event.

This material is provided as general information and is not a substitute for legal advice.
Consult your attorney for advice concerning specific situations.

A Private Group Uses the City Park and Brings and Consumes Alcohol but Doesn't Sell it

If the group does not use a specific city facility such as a shelter, there would be no basis for a permit. Whether the city will allow this, will depend upon whether the city allows the consumption of alcohol in this park. There is potential liability for the city if the consumption of alcohol causes impairment or carelessness that could lead to injuries.

A Private Group Reserves the Picnic Shelter in the Park and Brings and Consumes Alcohol but Doesn't Sell it

The city can have a representative of the group obtain a permit for the activity. The permit can place conditions on the use of the park shelter such as maintenance by the group, a keg permit and a hold harmless and indemnification provision.

A Citizen Rents the City's Community Center for a Wedding Reception and Serves Beer but Doesn't Sell it

The city can require a permit or rental agreement with conditions on maintenance and supervision, damage to property, and a hold harmless and indemnification provision. It can require an individual to have general liability insurance for the event or show that his homeowner's insurance policy would cover the event.

A Citizen Rents the City's Community Center for a Wedding Reception and a Caterer runs a Cash Bar

The city should require the caterer to have liquor liability insurance coverage for \$500,000. It should require the citizen to have a permit or rental agreement with conditions on maintenance and supervision, damage to property, and a hold harmless and indemnification. It can require the citizen to have general liability insurance for the event or show that his homeowner's insurance would cover the event.

An Organization Rents the Community Center for a Ticketed-Admission Fund-Raiser where Beer is Served

The organization should have general liability coverage. If it looks like the group intends to sell alcohol, the group should have liquor liability coverage. In one recent case, a court said it would only be a sale if it was a commercial seller.

An Organization Rents the Community Center where Beer is Served

Since there is no sale, liquor liability coverage would not be needed. Depending on the nature of the organization and the nature of the activity, the city can require it to have general liability coverage. It is important for the city to establish criteria so that it can be consistent with its requirements for different community groups.

A Nonprofit Group Rents the Community Center for an Event, Sells Pop and Water, and Allows People Attending to Bring their own Liquor

If it is not a city-sponsored activity, then the group would have to obtain a permit from the State of Minnesota Director of Alcohol and Gambling Enforcement. Since there is no sale of alcohol, liquor liability coverage would not be needed. The city should require a permit or rental agreement with conditions for maintenance, supervision, and damage to property and indemnification provisions. The city could also require general liability insurance for the group.

Highlight

Under Minnesota Statute 340A.414, a city can issue 10 one-day permits to nonprofit organizations for set-ups or “consumption and display” if it is a city-sponsored activity.

Chris Smith 04/10