



Legislative Audit Division

Performance Audit Summary

Virginia and Nevada City Historic Site Management February 2003

Introduction

At the request of the Legislative Audit Committee, we examined activities of the Montana Heritage Preservation and Development Commission in relation to its management of Virginia and Nevada Cities. Initial questions focused on whether the historical properties were being managed to become self-sufficient and operated in a manner consistent with original legislation.

Background

On April 23, 1997, the Montana legislature authorized the purchase of the Bovey properties in Virginia City and Nevada City for \$6.5 million (\$5 million for the artifacts and \$1.5 million for the buildings and land). The purchase was finalized in May 1997, resulting in state ownership of about half the historic structures in Virginia City and all of Nevada City. The Montana Heritage Preservation and Development Commission was created primarily to manage the sites. The Commission is attached to the Montana Historical Society for administrative purposes and consists of 14 members.



Site Revenues and Expenses

Due to the remote location and long winters of Virginia City and Nevada City, the tourist season for the sites is primarily limited to a three-month window (June through August) with some activity during the Christmas season. Earned revenues have been increasing over the past six years. Annual revenues are approximately \$300,000.

Overall operation expenses have fluctuated, depending on availability of funding and operational changes. Total expenditures were approximately \$760,000 in FY 1999, \$840,000 in FY 2000 and \$1.2 million for both 2001 and

2002. The majority of site expenses are staff salaries and benefits (approximately \$650,000).

The Commission currently must rely upon the bed tax support (\$400,000/year) to help fund operations. Although this funding support is currently mandated to end in fiscal year 2007, it is clear site operations would have to be significantly scaled back without this support. Staffing levels, marketing efforts, and visitor services could not be maintained at their current levels. *Currently the statutes indicate General Fund money will not be provided for the operation and maintenance of the sites. But there are no specific restrictions on continued support from other sources including the bed tax. After six years of operation, the legislature now has more information available to make informed decisions. We believe the legislature should re-evaluate its intent in this area.*

Have Business Controls Encouraged Profitability?

Section 22-3-1003(1)(f), MCA, states "management activities must be undertaken to encourage the profitable operation of properties." We reviewed the types of business-like controls developed by the Commission to direct profitable activities.

In an effort to achieve site profitability, the Commission requested various studies and plans. These studies addressed a wide range of topics including marketing, building prioritization, stewardship, etc. The major emphasis of these studies focused on site management and increasing economic self-sufficiency. We used these studies as criteria or benchmarks for highlighting priority areas/controls for Virginia City and Nevada City operations.

Overall, we found many of the study recommendations have not been implemented with regard to the priority areas or suggested business controls. For example:

- A full-time on-site manager position has not been created to ensure consistency and accountability in day-to-day operations.
- Only 4,000 artifacts (with 500,000-1,000,000 estimated) have been formally entered on the Commission's database in six years. Inventory issues relating to resource support, staff priorities, and site maintenance cannot be resolved. Projections from

Commission staff range from 3 to 217 years to complete the inventory.

- Development of staff controls has been limited. No performance appraisals and limited review of staff productivity illustrate a general lack of management emphasis.

Business Controls Need To Be Implemented

One commissioner noted “the project has matured and it is time for the management system to mature with it.” In general, interviews with stakeholders and review of Commission minutes suggested limitations with current site management. A 14-member body that meets four times a year has difficulty providing hands-on attention to sites as dynamic and complex as these. Several steps are needed to assure compliance with legislative intent as well as to improve/strengthen Virginia City and Nevada City business controls. These steps include:

- Developing a system of staffing controls.
- Allocating staff to address priority workload areas.
- Consolidating property ownership and management.
- Establishing a timeline and method for completing the artifact inventory.

What are the Site Management Options?

During the course of this audit, several options were raised by stakeholders regarding changes needed in site management. Commission members and other involved stakeholders outlined four options for providing a future approach. Some commissioners believe the Historical Society should be removed from the current management structure and the Commission could assume all responsibilities. Another suggestion was made to dissolve the Commission. Subsequently, the Historical Society could assume all management responsibilities related to Virginia City and Nevada City. A third suggestion was to move site management to the Department of Commerce to provide a tie with economic development and tourism. A fourth option suggested was management by the Department of Fish, Wildlife, and Parks (FWP) through the Parks Division.

We specifically examined each of these options. Based on this review, *we believe the Parks Division has more controls in place and experience to support this type of operation than the other options.*

Site Management Could Be Strengthened by Transferring Control to the Parks Division

Within Montana, the Parks Division has experience in managing diverse historic and cultural sites such as Bannack and Chief Plenty Coups State Parks. Although these sites are not as complex and diverse as Virginia City and Nevada City, the division has developed a methodology for site management to assure a level of accountability and consistency statewide. In addition, the

Parks Division has resources available for managing sites not available in a small agency such as the Historical Society and experience in concessionaire management. Supportive services such as legal, information systems, construction/design, and land agents are all available for state parks use. The suggested controls needed for Virginia City and Nevada City are currently utilized at state park operations. We believe there are specific areas at Virginia City and Nevada City where the Parks Division could provide strong oversight and management. *We believe a transfer of Virginia City and Nevada City management to the Parks Division warrants legislative consideration for several reasons including:*

- *No other government operation appears to have a site management system that is as comprehensive and compatible.*
- *Stakeholders are frustrated with the current lack of structure/business approach.*
- *Similar operations across the nation are operated as state parks.*
- *Operations will likely become more effective in addressing planned development and preservation goals.*

A transfer in management responsibilities would clarify the current dual management roles and streamline state governance of these historical sites. Management staff within the Department of Fish, Wildlife, and Parks and the Society has indicated a willingness to support this transfer and change in management structure.

Commission Role Should be Changed

We believe the future role of the Commission should change to adopt a structure similar to an advisory council or a private foundation. The commission would not be responsible for day-to-day oversight, but would focus on general site development and financial support.

Overall, we believe the duties of the Commission should be changed to remove site management responsibility and focus on policy. The members should act as consultants to the Parks Division in managing these sites. Statutes can be amended to clarify their role as an advisory resource attached to the Department of Fish, Wildlife, and Parks. Other more specific site management responsibilities currently outlined in the law would no longer be needed.

For a complete copy of the report (02P-08) or for further information contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>.