

Colorado's appointed public trustees agreed to step down Tuesday two days after a Denver Post report outlined the questionable spending practices of some of those individuals.

Gov. John Hickenlooper accepted the resignations of nine of the trustees Tuesday, officials said, and the 10th said she decided Monday to retire.

The resignations are effective in 30 days, and Hickenlooper is expected to name replacements within 45 days, according to Roxane White, his chief of staff.

"The Hickenlooper administration is about good government and reinstalling confidence in the public, and we must get back to a place where that happens," White told The Post in announcing the resignations. "We are about hiring those who exemplify the good standards of ethical conduct."

Public trustees are to impartially oversee and administer the state's foreclosure system, as well as maintain the filing of deeds of trust on properties.

But The Post on Sunday detailed how some had personally benefitted or profited from their position, while in other cases trustee employees received benefits not available to other county government employees.

Resignations were submitted by: Deborah Morgan in Larimer County; Susie Velasquez in Weld County; Richard Gebhardt in Boulder County; Paul Brown in Mesa County; Margaret Chapman in Jefferson County; Ana Maria Peters-Ruddick in Arapahoe County; Thomas Mowle in El Paso County; Nicholas Gradisar in Pueblo County; and George Kennedy in Douglas County. Carol Snyder of Adams County chose to retire, submitting her paperwork on Monday, effective at the end of the month.

From Atlanta, Hickenlooper on Tuesday requested the resignations during a conference call in which all 10 trustees participated. One trustee had suggested resignations might be in order.

Hickenlooper "made it very clear this was an extremely serious issue and wanted a clean start," his deputy chief of staff Kevin Patterson said.

All 10 trustees -- the only public trustees among Colorado's 64 counties who are hired in that manner -- are eligible to reapply for appointment, White said, though it's unclear if or how many will.

Snyder said she was in the middle of writing a letter telling Hickenlooper of her choice to retire when the conference call came.

"I never said the words 'I'm resigning' to anyone," Snyder, 66, said. "It's been something I've been mulling and mulling for a very long time."

Three trustees -- Mowle, Kennedy and Gebhardt -- said they expected to reapply. Others did not return a call.

"I'm going to re-apply because I have absolutely no reason to believe I did anything wrong," Gebhardt said. "I'm still the best person to be public trustee."

Only Kennedy was a first-time appointments by Hickenlooper. Nine others were appointed by previous administrations and reappointed by Hickenlooper last year.

"It just seemed appropriate to suggest resignations," said Mowle, a retired Air Force colonel. "If we're embarrassing the governor, and if there are doubts, the appropriate thing is to offer my resignation."

The resignations and retirement come after a number of Denver Post stories about the conduct of some of the public trustees, the most recent on Sunday showing how some trustees spent money to benefit themselves or their staff.

Among the examples, Gradisar, and attorney and president of Pueblo County's water board, has been a public trustee since 1985 -- though he did not serve during Gov. Bill Owens' administration. For years he's rented office space for the trustee in a building owned by a partnership of which he holds an interest, according to trustee records.

Gradisar said he never revealed the conflict of interest to any governor who appointed him.

Last year, The Post also detailed how several trustees accepted contributions -- political and to a nonprofit association they formed -- from several foreclosure attorneys and businesses in which they had an interest, all of whom the trustees by law are to oversee impartially.

Many also gave lucrative no-bid contracts to businesses those same attorneys owned.

Those disclosures led to a lawsuit by Colorado Ethics Watch and a determination the trustees had violated state rules prohibiting the acceptance of gifts. The trustees were admonished and given training on state ethics laws.

"This certainly doesn't solve the issue, which is the patchwork system that's been inherited and not thought through," Ethic Watch executive director Luis Toro said of Tuesday's resignations. "What makes sense is for the Legislature to take a look at this and get a single approach for the whole state. We don't need something that's just sat around without attention all these decades."

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The Public Trustee Ethics Crisis: Where Do We Go From Here?

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The *Denver Post's* David Migoya deserves praise for his investigative reporting on ethics problems involving Colorado's public trustees. Last year, he broke the story that a law firm and software vendor involved in foreclosure work, which is administered by the public trustees, financially supported [the public trustees' non-profit association](#) and some trustees' [campaigns for office](#). This year, he revealed questionable transactions involving some of the 10 public trustees appointed by the governor, including an [office lease](#) in a building owned by Pueblo County Trustee Nick Gradisar and a [sham bidding process](#) for a public notice contract signed by Mesa County Trustee Paul Brown.

Governor Hickenlooper deserves credit for [acting swiftly](#) to get control over the 10 gubernatorial appointees. He's required them to reapply for their jobs if they wish to remain in office, file conflict of interest statements, and obtain approval of all purchases or contracts above \$5,000.

But what about the other counties? There is no reason to believe that the 10 gubernatorial appointees are the only ones with ethics issues.

In fact, Ethics Watch [filed a complaint](#) last year against the Public Trustees Association of Colorado for violating the Amendment 41 gift ban by using corporate dollars to pay for Black Hawk hotel rooms for 32 public trustees, resulting in the [largest fine imposed to date](#) by the Independent Ethics Commission.

Almost all of the trustees who accepted the free hotel room were elected county treasurers, who serve as the public trustee in 52 of Colorado's counties.

Part of the problem is that Colorado has four different systems for appointing public trustees. In addition to the 10 appointed by the governor and the 52 who are also the elected county treasurers, in Denver the [elected clerk and recorder](#) is the public trustee, and in the City and County of Broomfield, the public trustee is the city's [revenue manager](#), an employee of Broomfield's finance department. With each of these systems comes different oversight. In Denver and Broomfield, the public trustee's office operates in the same manner as other city and county agencies.

The 10 gubernatorial appointees will now operate under close supervision from the governor's office. As for the other 52 counties, a new law requires trustees to submit budgets for review (but not approval) by county commissioners, but does little else to improve oversight of those trustees.

It's safe to say that, were Colorado to invent a public trustee system for the first time today, we would not choose this patchwork system.

Searching for a better alternative, Peggy Foley, who was the Public Trustee for Pueblo County under Republican Governor Bill Owens, pointed out that there is not much policy work being done in public trustees' offices. Mostly the office processes foreclosure paperwork, the idea being that having a public trustee involved in the process is superior to handling all foreclosures through the courts as in some states, or letting banks handle foreclosure paperwork themselves through a "private trustee" system in other states. The actual work of the public trustees' offices is handled mostly by staff whose work has not come into question in any of the recent scandals.

The real problem is that in most counties the public trustee position is either a political appointment or an elected official, not necessarily a professional administrator. Put that together with the lack of oversight and the access public trustees have to a fund consisting of fees paid by property owners who pay off their mortgages or collected from proceeds of a foreclosure sale. Though not tax money, these fees are public funds and need to be treated as such.

Ms. Foley recommends that public trustees be full time employees hired by a county based on qualifications rather than appointed or elected. Under this proposal, trustees could be part of the finance office, as is already done in Broomfield, or under the county treasurer. A third possibility is that the county clerk and recorder could hire the trustee, since the work is closely related to maintaining real property records that is already a clerk and recorder responsibility. Other options, such as extending the requirements the governor has imposed on his appointed trustees to the county treasurers, should be considered.

These different options deserve careful study by our legislators. When the new legislature convenes in January, let's hope they can work with the governor to come up with a solution that will bring the public trustee system into the 21st century.

Colorado public trustee spending raises red flags

By David Migoya The Denver Post The Denver Post

Posted:

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Some of Colorado's appointed county public trustees have used public funds they oversee to profit or personally benefit from their position, a Denver Post analysis of their spending practices since last year has found.

Other appointed public trustees have given themselves and their employees perks not available to other workers in the counties they serve, the review found.

Spending practices range broadly: At one extreme, a public trustee for years rented office space for the agency in a building he co-owns; at the other, a trustee reimbursed the costs of a retiring employee's farewell party — down to the \$4 greeting card, according to accounting ledgers and receipts obtained through the state's open-records act from all 10 appointed public trustees.

A government-watchdog group that reviewed The Post's findings called the spending "at the minimum, questionable" and said at the maximum, it "could raise legal concerns."

Because the appointed trustees — the only ones of the state's 64 county trustees that are chosen by the governor — by law have been able to operate with fiscal autonomy for nearly 100 years, there has been little or no independent oversight of how they budget and spend millions of dollars generated through foreclosure-related fees.

Appointed public trustees, the independent overseers of the state's foreclosure process, aren't required to submit budgets to anyone for approval. They approve their office expenses — including their own — without outside scrutiny and can sign contracts without public bidding. Self-generated reports of their financial activity to the governor include little or no detail of how or on what they're spending public dollars.

Among The Post's findings:

- Pueblo County Public Trustee Nick Gradisar long ago moved the trustee's operations into an office building he and his law partners own, collecting thousands of dollars in monthly rent. He says it's a good deal for the trustee's office.
- Boulder County Public Trustee Rich Gebhardt for years has collected a small commission for establishing insurance coverage for himself and his employees, who in turn pay nearly nothing for their policies or medical expenses. He said it saves the office money.
- Adams County Public Trustee Carol Snyder drives a car that her office purchased new for her use — the only trustee to do that. The fuel is paid, the exterior is washed regularly, and the vehicle is equipped with a subscription satellite-radio system. She says she's entitled to the perks.

- Weld County Public Trustee Susie Velasquez, an attorney, uses public funds to pay her annual state registration and professional licensing fees, as well as the costs of legal-education classes, even though legal experience isn't a job requirement. She says it helps her learn to do her trustee job.
- Arapahoe County Public Trustee Ana Maria Peters-Ruddick has used office funds to treat her employees to more lunches and outings than other trustees, buys them gifts for showing up to work and offered them twice-monthly chair massages. She says it's all legitimate spending.
- Mesa County Public Trustee Paul Brown, not long after his March 2011 appointment, double-dipped on the use of his car to attend a November conference in southern Colorado, reimbursing himself for mileage and fuel expenses; he's entitled to one or the other. He said it was an oversight.

"Public trustees must reflect public trust and confidence," Gov. John Hickenlooper said in a statement Friday. "We expect the trustees to conduct their business in a way that is legal, ethical and avoids even the appearance of impropriety."

Hickenlooper's staff Friday issued to each appointed trustee a set of new guidelines to rein in the practices revealed by The Post. Among them:

- Trustees must annually file conflict-of-interest statements;
- Personal use of government-owned vehicles is prohibited;
- The governor's office must approve all trustee purchases or contracts over \$5,000;
- Employee-recognition events and gifts are restricted and should be funded by a source other than public funds.

Public trustees in Colorado's 54 other counties — the job is conducted by the elected treasurer in 52 of them — undergo more scrutiny than their appointed counterparts. Their budgets are examined and approved by county commissioners; their expenses evaluated; and their contracts vetted.

The trustee in Denver, the state's second-largest county, is its elected clerk and recorder, whose budgets and audits are approved and overseen by other city agencies. The same for Broomfield County, where the trustee is an appointee of the county commission.

"They tell me what I get to do the job," said Lincoln County Treasurer and Public Trustee Jim Covington, who has held the post for 31 years. "My receipts are all turned in; my credit cards too. They approve it all."

In Denver's public-trustee office, for example, spending on items such as chair massages, staff lunches or anything outside of normal business expenses would not be acceptable, said Deputy Trustee Sindee Wagner.

"For our department, it would not happen," she said. "It's not right."

Luis Toro, executive director of Colorado Ethics Watch, which reviewed The Post's findings and called some spending practices "questionable," said it's the legislature's job to change the lax system.

"It's a patchwork system that's evolved over decades, for a process that really needs a 20th-century methodology," he said. "There are simply some laws that just shouldn't be around any longer, and the ones regarding the trustees are among them."

Elena Nuñez, executive director of Colorado Common Cause, said the spending practices should raise flags about how scrutiny of the trustees' public spending is not uniform.

"The core issue is not about whether it is \$10 or \$10,000, rather that there is no public review or approval of their budgets and their spending," she said. "There has to be some accountability to ensure it's appropriate. All of this calls into question the judgment of the trustees."

Revenues for appointed trustee offices come from foreclosure-related fees. Unspent money is placed in a reserve fund to cover a year's worth of spending. Then, whatever's left after expenses is handed to the county.

Spending varies greatly from county to county. In 2011, for example, Adams County collected \$1.3 million in revenues and spent about 48 percent of that. Pueblo County collected \$400,000 and spent 93 percent.

Colorado's appointed public trustees are a legacy from the state's mining history when homeowners were foreclosed upon by landowners without due process. As more counties were added, the largest retained their appointed trustees while the others put the job in the hands of county trustees.

The only criteria for appointed trustees are a college degree and a minimum of five years' administrative or business experience. There is no limit to how long appointed trustees can hold the job. Hickenlooper has appointed two trustees and reappointed eight.

Today, the appointed public trustee's salary is established by statute, and the appointed ones are paid the most: \$72,500 a year guaranteed. Elected treasurers who serve as public trustee receive a stipend — \$12,500 per year — but only after all their office expenses are paid.

PUEBLO COUNTY

"No one is watching"

Nick Gradisar is a personal-injury lawyer who moved the trustee's office into his personal law office when Gov. Richard Lamm appointed him in 1985.

His two predecessors — also lawyers — did the same, Gradisar said.

"There was not adequate room in my law office to house the public trustee staff, but there was space available in the same building," he said of the move.

At \$2,000 a month, the long-term lease he inked with Wildwood Professional Building was a good deal for the trustee's office, Gradisar said. Since August 2007 when he moved back in, Gradisar the trustee has paid Gradisar the landlord nearly \$120,000 in rent. The lease is month-to-month because trustees are no longer appointed to a four-year term and can be removed at any time.

"I did not feel comfortable signing a lease that would bind my successor to a particular location," he said.

Gradisar said he has never formally revealed the apparent conflict of interest to anyone — not auditors who reviewed his spending; not the governor who appointed him.

"Regrettably, there was no formal disclosure," he told The Post in an e-mail. "I believe it was commonly known that I had an interest" in the building ownership.

Toro called Gradisar's arrangement "uncomfortably cozy" and questioned why it has been allowed to go on so long.

"I can't think of a time when this kind of arrangement is acceptable," Toro said. "The whole issue is that no one is watching."

ADAMS COUNTY

Car a necessary perk?

Before Gov. Bill Ritter appointed Carol Snyder as Adams County public trustee in 2007, she had already been a state representative for eight years and that county's clerk and recorder for four. She knew how the system worked.

Not long after her appointment, the trustee's office bought a new Dodge Nitro for her personal use. The monthly payment — \$791 — continued until January 2011, records show.

Payments for the Sirius-XM satellite radio system in the Nitro continue.

No other trustee in Colorado has a personal car provided by their office. Snyder simply said the law entitles her to it, even though hers is largely a desk job.

"The (public trustee) is, by statute, considered a 'county officer,' " Snyder said in an e-mail to The Post, pointing out trustees "may collect benefits" that don't exceed what other county elected officials get.

"Adams County provides its elected county officers — as well as their appointees — with take-home vehicles vs. mileage reimbursement," Snyder wrote.

Other trustees say a car is an unnecessary perk.

"I get mileage and that's sufficient," Boulder's Rich Gebhardt said. "I'm at a desk most of the time. What ... do I need a car for?"

Records show Snyder is a frequent traveler to events held around the state by the Public Trustee Association of Colorado and to the Capitol.

The most any appointed trustee collected all last year in travel reimbursements? \$3,040 for Paul Brown in Mesa County. It included airfare, rental cars, occasionally gasoline and mileage for his own vehicle to attend the same conferences and meetings as Snyder.

One year of car payments cost Snyder's office \$9,492.

That's not including the cost of the gasoline to drive it.

BOULDER COUNTY

100 percent health care

Rich Gebhardt is 80 years old, the most senior of the appointed trustees and the longest serving, installed in 1977 by Gov. Richard Lamm during a long career as a Northwestern Mutual Insurance representative.

At his age, Gebhardt said, he understands the importance of a good medical policy — and he makes sure he and his employees have them.

Though Boulder County offers its own medical coverage to county employees, Gebhardt chooses to offer his four employees coverage from private companies.

Rather than require his employees to use the coverage he offers or forgo the benefit, as the county does, he allows them to choose whatever they'd like and covers their costs.

Gebhardt uses trustee funds to pay the employees' premiums plus their out-of-pocket costs down the road. It's 100 percent health care. And no other Boulder County employee gets it.

Gebhardt's employees can choose a health plan offered by his office, and a portion of the premium is deducted from the employee's paycheck. Then, Gebhardt reimburses them for that expense with a separate check.

Additionally, each of Gebhardt's employees is reimbursed for their medical out-of-pockets costs — essentially, their deductibles — through a separate in-house bank account.

Gebhardt and another employee choose Medicare and a supplemental insurance policy — and they're reimbursed for the premiums they pay.

What's more, Gebhardt has received a small commission check each month — about \$25 — for having established the policies.

Said Gebhardt: "It's not even an appreciable amount to be concerned about."

He canceled the payments after The Post inquired about them.

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Getting to know your public trustees

Ten of Colorado's 64 public trustees are appointed by the governor and serve at his discretion; all were appointed or reappointed in 2011 by Gov. John Hickenlooper. Who they are and their backgrounds:

Adams County Carol Snyder

Age 66. Appointed by Gov. Bill Ritter (2007); Gov. John Hickenlooper (2011). Adams County clerk and recorder, (2004-present). Northglenn City Council,(2008-present). Colorado General Assembly, (2008-present). Associate's degree, business administration, University of Denver. Paralegal certificate, University of Denver.

Arapahoe County

Ana Maria Peters-Ruddick

Age 54. Appointed by Gov. Bill Ritter (2007); Gov. John Hickenlooper (2011). Deputy trustee, 1998-2007; administrative assistant, 1987-1998. Associate's degree, University of Phoenix.

Boulder County

Richard Gebhardt

Age 80. Appointed by Gov. Dick Lamm(1977); Gov. Roy Romer (1987); Gov. Bill Ritter (2007); Gov. John Hickenlooper (2011). Colorado General Assembly, unsuccessful candidate for lieutenant governor and U.S. Congress. Master of Business Administration, University of Colorado.

Douglas County

George Kennedy

Age 63. Appointed by Gov. John Hickenlooper (2011). Mayor, Castle Rock (1984-88). Director of Douglas County Human Services. Deputy executive director of Colorado Department of Human Services. Colorado State University, B.A., social sciences.

El Paso County

Thomas Mowle

Age 47. Appointed by Gov. Bill Ritter (2009); Gov. John Hickenlooper (2011). Major (ret.) U.S. Air Force. Ohio State University, Ph.D., political science.

Jefferson County

Margaret Chapman

Age 63. Appointed by Gov. Bill Ritter (2007); Gov. John Hickenlooper (2011). Jefferson County Democrat of the Year, 2010. County coordinator for Hickenlooper's campaign. Steering committee, U.S. Sen. Michael Bennet. University of Missouri, B.A., journalism.

Larimer County

Deborah Morgan

Age 56. Appointed by Gov. Roy Romer (1995); Gov. Bill Ritter (2007); Gov. John Hickenlooper (2011). Larimer County board of adjustment. Certified public accountant. Colorado State University, B.A.

Mesa County

Paul Brown

Age 70. Appointed by Gov. John Hickenlooper (2011). Colorado General Assembly, 1975-79. Self-employed real-estate appraiser.

Pueblo County

Nicholas Gradisar

Age 62. Appointed by Gov. Richard Lamm (1985); Gov. Roy Romer (1987, 1991, 1995); Gov. Bill Ritter (2007); Gov. John Hickenlooper (2011). Attorney. Pueblo Board of Water Works. Former chairman, Pueblo County Democratic Party. Drake University, J.D. Southern Colorado State College, B.A.

Weld County

Susie Velasquez

Age 61. Appointed by Gov. Bill Ritter (2007); Gov. John Hickenlooper (2011). Attorney. University of Denver, J.D. University of Northern Colorado, B.S.

