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Largest sewage recycler Synagro Technologies scrutinized in some states

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(AP) — Detroit officials were approached in 2001 with what was hailed as a visionary project to clean up the unhealthy yellow plumes that cast a pall over the city's gritty Delray neighborhood.

Synagro Technologies would replace outdated incinerators that burn human and industrial waste with new, more efficient machinery, creating jobs and improving the health of the community.

But the project itself became contaminated - and was scrapped in January - after a Synagro representative admitted to bribing public officials with chartered flights to Las Vegas, cash tucked in a pack of gum and a case of Cristal champagne.

The scandal, which tainted Detroit's former mayor, is one of several problems plaguing Synagro, the nation's largest sewage-recycling company - a company that for more than two decades has quietly provided a vital, behind-the-scenes role in the nation's infrastructure.

Bitter fights have dragged on for more than a decade in New York and California, with residents complaining that the company's sewage facilities stink up the neighborhood. Maryland and Rhode Island regulators have fined the company for its practices. Philadelphia officials raised concerns about Synagro's contracting practices.

Both **Moody's Investors Service** and **Standard & Poor's** recently dropped the debt-laden company's junk-bond credit rating a notch, with Moody's citing the loss of the Detroit contract among factors clouding the company's prospects.

Synagro describes itself as the nation's biggest recycler of sludge and other byproducts of sewage treatment, with more than 600 customers across the country, most of them local governments.

The Carlyle Group, a giant private-equity firm that owns enterprises ranging from military contractors to **Dunkin' Donuts**, bought Synagro for \$772 million and took it private in 2007.

Joe Page, executive vice president and general counsel for Synagro, called the Detroit scandal an isolated incident involving one corrupt employee. He said the Houston-based company is not a target of the ongoing probe, but has cooperated with the government. As for the loss of the Detroit contract, and the rating downgrade, Page said these are "not material to the business."

Page said Synagro is a considerate neighbor that works with community groups to ensure that residents are not affected by odors. And he noted that before Synagro became the leader in its field, cities like New York were dumping sludge into oceans before a federal law banned the practice in the early 1990s.

The opposition highlights the unusual predicament that Synagro faces. The core of the company's mission is environmentally friendly: Take the nation's sewage, sludge and byproducts of waste treatment and recycle it into pellets and compost that are spread as fertilizer on farm fields, orange groves, golf courses and reclaimed mines.

But because Synagro is in the sewage business, its operations are bound to be associated with pungent

odors, irritating residents and sometimes making the company a tough sell for officials.

Lisa Goldstein, director of **Southwest Detroit Environmental Vision**, studied Synagro's Detroit proposal before endorsing it at public hearings in 2007. She's dismayed that a corruption scandal derailed a plan that would have improved the Delray neighborhood's quality of life.

"It was going to be better for the community," she said.

Many complaints leveled at the company reflect broader concerns about fertilizing with treated waste. Critics, including some scientists, fear that at least certain types of sludge used in nonresidential settings may pose health risks.

But the federal **Environmental Protection Agency** has said sludge is safe if used properly, and supporters see the material as a way to recycle waste that would otherwise be burned or deposited in landfills.

As the industry's biggest player, Synagro is a powerful pacesetter and closely watched.

About a dozen union and environmental activists donned haz-mat suits for a December 2007 demonstration in Washington over Carlyle's decision to buy Synagro and take it private. Protesters said the move would make it harder to hold the company accountable for its largely government-paid work. As a publicly traded company, Synagro had been required to release a range of details about its business.

"The buyout shut down the flow of information and has left communities in the dark," said Andy McDonald, a spokesman for the **Service Employees International Union**. The union is also upset because it believes Synagro deals might put public jobs at risk.

All the while, controversy has never been far away in several cities where Synagro set up shop.

- Residents of New York's South Bronx have staged "mock funerals" and bus tours to showcase what they say are sickening odors from a Synagro plant and a nearby city-run sewage facility. The smells make people loath to open windows or even hang laundry out to dry, residents say.

Residents sued Synagro's **New York Organic Fertilizer Co.** and the city last July, asking a court to order both plants to stem the smell. State environmental officials ordered the Synagro facility in October to take various odor-control steps as a condition of renewing its permit, and they proposed requiring a round-the-clock "odor response monitor" and new emissions tests.

Page said that the company has taken actions that have greatly improved the situation, and he noted that the plant manager has given out his phone number to residents so they can contact him directly with any odor issues.

- In Riverside County, Calif., a Synagro sludge-processing plant closed down Dec. 31, after years of complaints centering on what residents said were headache-inducing, property-value-sucking smells from the plant, about 50 miles southwest of downtown Los Angeles.

The complaints began under a previous owner, and Synagro made efforts to lessen the stench, county spokesman Ray Smith said.

- In Detroit, the company became blemished in a different way.

Prosecutors say a City Council vote in 2007 to approve a contract worth more than \$1 billion over 25 years was tainted by a bribery scheme carried out by Jim Rosendall, who was president of Synagro of Michigan. Rosendall pleaded guilty in January and admitted using an intermediary to bribe a council member to approve the contract.

Rosendall says he delivered campaign checks to "City Official A" as he signaled Synagro's intention to take over Detroit sludge efforts. Over seven years, he says people close to the official directed him to donate \$200,000 to nonprofit groups, political-action committees and campaign entities.

Rosendall says he twice put city officials on chartered flights to Las Vegas and gave \$25,000 to a relative of Official A. He says he passed hundreds of dollars in a pack of chewing gum and provided a case of champagne when the relative threatened to kill the sludge contract.

Lawyers for former mayor Kwame Kilpatrick, who spent 99 days in jail after a text-messaging scandal, have declined to comment on whether he is Official A. But city records show his charge account was used in Las Vegas at the same time Rosendall said he hired a plane to fly officials there for a boxing match in 2003.

Synagro insists it didn't know Rosendall was greasing palms in Detroit. But it agreed with Mayor Ken Cockrel Jr. to drop the contract after the guilty plea, leaving the neighborhood with no remedy for its dirty incinerators.

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AP Writers Jennifer Peltz and Josh Hoffner contributed to this report from New York.

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