



## How Philadelphia reached a deal on sludge

*Judge Stewart Dalzell dealt with the deal in an opinion.*

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For years, visitors crossing the Platt Bridge near the airport were welcomed to Philadelphia by a powerful stench emanating from the city's 70-acre solid-waste processing plant below.

Then, during the administration of Mayor John F. Street, the city came up with a plan to privatize the plant by hiring a contractor employing a more modern, less smelly method to turn human waste into fertilizer and fuel. It was a deal worth \$590 million over 23 years, but would cost 60 union jobs.

What happened next was what U.S. District Judge Stewart Dalzell recently described in a court opinion as "a primer on how to procure multimillion dollar service contracts with the City of Philadelphia."

To win the prize, the contract winner, Houston's Synagro Technologies Inc., had a team of political consultants, including a man later convicted of bribing a Detroit city councilwoman to help win Synagro a \$1 billion contract in that city by a single vote.

Synagro also brought in an Atlanta man, Hiram Hicks, who Dalzell said paid a Philadelphia community activist \$55,000 to round up 175 people - some of them from homeless shelters - to cheer on City Council as it approved Synagro's contract by a 15-2 vote, with the backing of Mayor Nutter.

The vote occurred amid jeers from union members of District Council 33, some of whom would be displaced by the Synagro deal.

For stage-managing the deal, Hicks was to be richly rewarded - \$400,000 a year for the length of the contract, or a total of \$9.2 million, according to court records.

Hicks' on-the-ground operative was Fareed Ahmed, a close associate of Street's. According to court papers, he spoke to Council members and Nutter, who had brought the project back into play after union opposition stalled it during Street's tenure.

In a deposition, Synagro executive Pamela K. Racey characterized Ahmed as "our minority partner" in Philadelphia.

A Nov. 26, 2007, e-mail from Racey to two other company executives said that Ahmed had just met with the just-elected Nutter and that "Nutter stated his understanding and support for the project." The e-mail said Nutter wanted to hold over the proposed contract "for approval under his administration."

Nutter, through his spokesman, Mark McDonald, declined comment about meeting Ahmed.

Although he would not discuss the Ahmed contact, McDonald said Nutter later brought in the city integrity officer to review the proposed contract and won major concessions from Synagro before the deal was finalized.

One of those concessions was to cut the cost of the contract by \$400,000 a year - the amount being paid to Hicks. Last year, Hicks filed suit in U.S. District Court here, alleging that Synagro is renegeing on the \$9.2 million in payments.

The suit was assigned to Dalzell, who described the case in a 59-page opinion issued Friday. In it, he ruled against Synagro, which had sought a dismissal of the case on summary judgment.

No one answered numerous phone calls placed to Ahmed's home number in Elkins Park. A major political donor for years - he has contributed about \$100,000 since 2000 to politicians of both parties - he formerly worked for West Insurance Co. (The former president of the defunct firm, Kobie West, pleaded guilty in May to defrauding the Philadelphia Housing Authority of \$2.3 million.)

In April, the Internal Revenue Service filed a \$156,000 tax lien against Ahmed.

According to Hicks' account in federal court records, Ahmed also spoke to Herman "Pete" Matthews, the leader of District Council 33, to win the union secretly to Synagro's side.

For as Hicks admitted in court documents, the tumultuous scene in Council had a touch of theater.

According to Hicks, Ahmed successfully arranged a meeting between Matthews and Synagro officials on July 12, 2007. After that meeting, Hicks said in a January motion to the court, he personally was able to arrange other meetings with Matthews and Synagro officials.

"Eventually, we worked out a détente," Hicks said in the motion. "Pete Matthews said he would not publicly support the bill, given the local union's strong opposition, but would let City Council members know, quietly, that he no longer opposed it."

As part of the détente, the sludge plant workers were able to transfer to new jobs in the Water Department.

Matthews did not respond to requests for comment.

Synagro's spokeswoman, Jamie Kinder, also declined comment. So did Hicks' lawyer, Frank R. Emmerich Jr., other than remarking that he was pleased with Dalzell's decision.

Street pleaded a faulty memory. "Unfortunately, the ravages of time have taken their usual toll and I have so little recollection that comment would represent wild irresponsible speculation," he said in an e-mail.

Synagro is the nation's largest processor of sludge and wastewater. It is owned by the Carlyle Group, a global financial group "with more than \$159 billion in assets under management," according to its website.

For the Philadelphia project, Synagro formed Philadelphia Biosolids Services L.L.C., a partnership with 30 percent participation by the minority firms McKissick & McKissick, of Washington, and Len Parker Associates, of Philadelphia. Both firms are involved in construction.

The court record from the lawsuit - and Dalzell's opinion - provide a rich source of information on the contract.

Synagro's effort to get a Philadelphia contract had "run aground" after the city advertised for bids in 2004, Dalzell wrote. The largest city workers' union was publicly critical of the company, which made major contributions - at least \$8,500 - to Street's 2003 reelection campaign.

The union's key concern centered on the jobs its members could lose at the city-run plant, which opened in 1988 to process solid waste. Synagro's contract involved building a facility to replace it.

In 2007, Synagro consultant Rayford Jackson - who later went to prison in the Detroit bribery case - met Hicks in Las Vegas and eventually introduced him to company officials. Hicks, a Philadelphia native, was well-connected with Ahmed.

"Fareed and I are closer than most blood brothers," Hicks said in a statement submitted to the court.

He maintained his ties to Philadelphia after he left the city to become a music promoter.

He was listed as an investor in a failed 2005 plan for a casino at Delaware Avenue and Spring Garden Street. The state Gaming Control Board shot down that proposal.

Synagro gave Hicks \$55,000 for community outreach, "an enterprise entrusted to Sultan Ashley-Shah," the Dalzell opinion said.

Ashley-Shah is president of Citizens United, Warriors for Justice, an activist group in North Philadelphia.

"Ashley-Shah, in turn, used some of this money to pay people - most of them from homeless shelters - to attend a subcommittee hearing in June 2008," the judge said.

It became a riotous hearing, according to Dalzell's opinion. The judge quoted Ashley-Shah as saying he recruited 175 people, and some of them got into confrontations with union members.

"Police actually had to come on the scene," Dalzell quoted Ashley-Shah as saying. "The entire day was a scene of chaos."

Ashley-Shah could not be reached for comment.

Nutter eventually approved the Synagro contract - but not before a review by city integrity officer Joan Markman, a former federal prosecutor.

Just as the Philadelphia contract was being prepared for approval, news broke in Detroit over alleged attempts to bribe officials there to approve a \$1.2 billion Synagro sludge deal there.

"Please rest assured that we are reviewing these issues and will not proceed with the execution of the contract before that review is complete," Nutter wrote to then-City Council President Anna C. Verna.

Markman immediately saw a problem in the \$400,000-a-year payments to Hicks. At her insistence, Synagro agreed to cut that amount from the contract fees.

Synagro also canceled Hicks' consulting contract, blaming him for "misappropriating \$55,000 from Synagro," referring to money that was used for the City Hall demonstration.

One of Hicks' lawyers responded that Synagro was aware of how the money was used.

"It was Synagro, at its highest levels of management, that directed that use," the lawyer said.

Synagro - which operates in about 600 municipalities in 36 states - contended that Hicks had damaged the firm's image.

But Hicks countered by raising the problems of the bribery investigation involving Synagro's Detroit contract.

In that investigation, consultant Jackson - who had initially introduced Hicks to Synagro - was sent to prison for five years for bribing Detroit City Councilwoman Monica Conyers.

Conyers, the wife of U.S. Rep. John Conyers, now is serving a 37-month federal prison sentence.

Since Synagro began operating under the contract, it has collected more than \$60 million.

Jeff Gillian, the business agent for the local representing the displaced workers, said the key issue now for the city is to determine whether the new plant really saves money.

City officials had projected that the new facility could save \$100 million over the life of the contract, but Gillian says his organization has run the numbers and the city may actually be losing money.

"It will come out eventually," Gillian said. "This is costing us money."