



AIRCRAFT OWNERS AND PILOTS ASSOCIATION

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June 29, 2007

Honorable Jerry Sanders, Mayor
City of San Diego
City Administration Building
202 C Street
11th Floor
San Diego, CA 92101

Dear Mayor Sanders:

On behalf of the 412,000 members of the Aircraft Owners and Pilots Association (AOPA) and our nearly 50,000 California members, I am writing to acknowledge and applaud your leadership in stepping forward and actively seeking to resolve the ongoing dispute surrounding the Sunroads-Centrum building near Montgomery Field. This building, declared an obstruction to air safety by the Federal Aviation Administration (FAA), has been a significant concern to pilots operating at Montgomery Field for a number of months.

When you and I met early last year, we discussed the challenges facing you and the city in a new administration with the city's change in the structure and form of governance. We fully understand the challenges facing you as Mayor. It's unreasonable to expect leaders of large organizations, whether public or private, to know every detail of every issue happening within their organizations. Hopefully, the proper systems of checks and balances are in place to ensure that processes occur within some specific set of guidelines. Unfortunately, in the case of the building permits and planning processes for the Sunroads-Centrum project, it appears that the process failed in the worst way.

Based on your public comments regarding this issue, the litigation, and breakdown of internal systems within city government, we feel certain that you intend to ensure that there is no repeat of this type of breakdown in processes. No doubt, the lessons learned clearly demonstrate that these types of system failures are extremely costly to all involved. For our part, we look forward to a cooperative relationship in aviation issues in San Diego.

In that spirit, I would like to bring to your attention an April 11, 2007 memorandum from Jim Waring Deputy Chief of Land Use and Economic Development to Jim Tussey, Aviation Deputy Director related to the litigation against Sunroads Enterprises, of which you may be unaware. That memo directs Mr. Tussey to encumber \$500,000 of revenue from the Airport Enterprise Account to pay costs associated with the subject litigation. If the actions ordered in the memo are carried out, there could be serious implications including civil penalties imposed on the city by the FAA.

Honorable Jerry Sanders
Page 2
June 29, 2007

The FAA has very specific requirements on the use of airport-generated revenue as governed by Title 49 of the United States Code (Title 49 USC) sections 47107(b) and 47113. In the most basic interpretation of these sections, airport generated revenues may only be used for capital improvements or operating costs of the airport which are substantially related to the actual air transportation of persons or property. Violations of these policies are viewed by the FAA "diversion of airport revenue" and would place the city in a state of non-compliance with federal grant agreements. In the case of revenue diversion claims, the FAA has the ability to impose significant financial penalties against the city.

From our past discussions, I know that the city administration, including Mr. Tussey, have worked closely with the FAA to resolve a number of violations of federal grant agreements involving Brown Field. It would be unfortunate if the directive of the Waring memo were carried out. AOPA's experience in issues such as this have shown us very clearly that FAA's action regarding revenue diversion matters will be swift and decisive and costly to the city. It would be very unfortunate if all the hard work invested by the city staff to resolve previous violations of federal grants at Brown were undone.

Accordingly, AOPA suggests preventing such a situation from developing by directing Mr. Waring to withdraw his memo encumbering the Airport Enterprise Account. This action would be in the best interest of the city and will serve to avoid another legal battle but this time with the federal government.

In closing, let me again express the Association's appreciation for your direct involvement in seeking a resolution to this most contentious and publicly debated issue. It is our hope that Sunroads' executives will do what they have promised and that the litigation can be withdrawn. If AOPA or I can be of any assistance in the future, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Dunn", with a long horizontal line extending to the right.

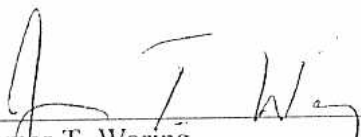
Bill Dunn
Vice President
Airports

Attachment: Waring memo

CITY OF SAN DIEGO
M E M O R A N D U M

DATE: April 11, 2007
TO: M. C. Tussey, Airports Deputy Director
FROM: James T. Waring, Deputy Chief of Land Use and Economic Development
SUBJECT: \$500,000 Encumbrance and Expenditure for the Sunroad Litigation

This memo is written to direct you to encumber \$500,000 in the Airports Enterprise Fund, and to expend it as necessary for expenses for legal fees and costs, including reimbursable internal enterprise department costs, including DSD staff time and expenses, relevant to the prosecution and the defense of the Sunroad litigation, regarding their 12-story structure, located north of Montgomery Field.



James T. Waring
Deputy Chief of Land Use and Economic Development

4-9-07

Date

cc: Real Estate Assets Director James F. Barwick
Jay Goldstone, Chief Financial Officer
Carmen Brock, Deputy City Attorney
Grace Chao, Airports Budget Analyst