

## **Head of School Compensation**

Several questions were raised about Head of School compensation in the survey Andy recently conducted. Due to the importance of these questions, I'm writing on behalf of the Board of Trustees to provide information about the process the Board follows in setting compensation for the Head of School. I hope this information will be helpful in addressing those questions.

Evaluating and setting compensation for our direct reports (Head of School and Treasurer) is an important duty for the Board of Trustees. The Board's Executive Committee (the Board's Officers and two at-large Trustees appointed by the Chair) is responsible for performance evaluations and deciding on the compensation for the Head of School. Annually, beyond the Board's ordinary conflict of interest disclosure process, all Executive Committee members are requested to disclose any conflicts that might bias their ability to evaluate the Head of School and fairly set compensation. All Board members and other individuals who serve on a limited basis on certain Board Committees participate in the annual evaluation. In addition, periodically, as is the case this year, the Board has undertaken a comprehensive 360-degree evaluation, soliciting input from the broader community. The frequency of our 360-degree evaluation has varied depending on tenure and other factors. The Executive Committee reviews the evaluation materials available each year as part of the process of setting compensation.

The Executive Committee and Board pursue a deliberative process in determining compensation, for a variety of reasons. For example, IRS guidance requires non-profits such as the Academy to carefully consider compensation "comparability." In addition to following IRS guidelines, taking into consideration comparisons with other similar regional and national independent schools is an important factor in setting compensation levels that allow us to attract and retain highly-qualified individuals. In some years, the Board has retained a compensation consultant familiar with compensation of school heads at both a national and regional level. Most recently, this consultant has prepared a study of thirty to forty schools comparable to the Academy in terms of complexity, size of operating budget, grade range, Head of School tenure, and student body size. The resulting report includes data of salary, bonuses, benefits, and other non-cash consideration that other heads of school may receive.

The Board's Executive Committee considers the information assembled by the consultant and, in addition, reviews information gathered from Form 990s of other comparable independent schools and information gathered from independent school associations. The Executive Committee's work and decisions are reported to the full Board, with the opportunity for full and complete discussion of those decisions.

We note that as part of our compensation philosophy, we choose to only provide monetary compensation, along with the school's regular benefits package to our Head of School. Other comparable schools often provide housing and cars in their benefit packages. The Academy's Board has not done so during Andy's tenure at the school.

Informed by our benchmarking analysis and compensation philosophy, the Board also recognizes the budgetary problems we face as a school and the economic conditions of Albuquerque and New Mexico. As a result, and despite the fact that Andy's tenure is well above the norm for independent schools, we've kept our Head of School compensation below the amounts in our comparison analyses. To illustrate this, I've attached three charts, showing total head compensation at the large ISAS schools, compensation at schools on the recently published "top fifty" private schools list, and compensation at the representative like-sized schools selected by our consultant. These figures were obtained from the most current and relevant 990s and represent the sum of "reportable compensation" and "estimated amounts of other compensation." Six schools on the top 50 list weren't included due to difficulty finding information or transitional events that rendered data incomparable. The range of the large ISAS schools is \$323,122 to \$763,991, the range of the top fifty schools is \$280,019 to \$961,505, and the range of the like-sized schools is \$312,535 to \$757,493. More specifically, our Head of School compensation is the second lowest among the large ISAS schools, third lowest among the 44 comparable schools in the top 50 list, and seventh lowest among the 37 like-sized schools selected by our consultant. I note that the comparison to the median head of school salary from throughout NAIS used in the anonymous campus posting didn't include the fact that the current median enrollment in that cohort, as posted on the 2015-2016 NAIS Industry Facts at a Glance, is 326 students.

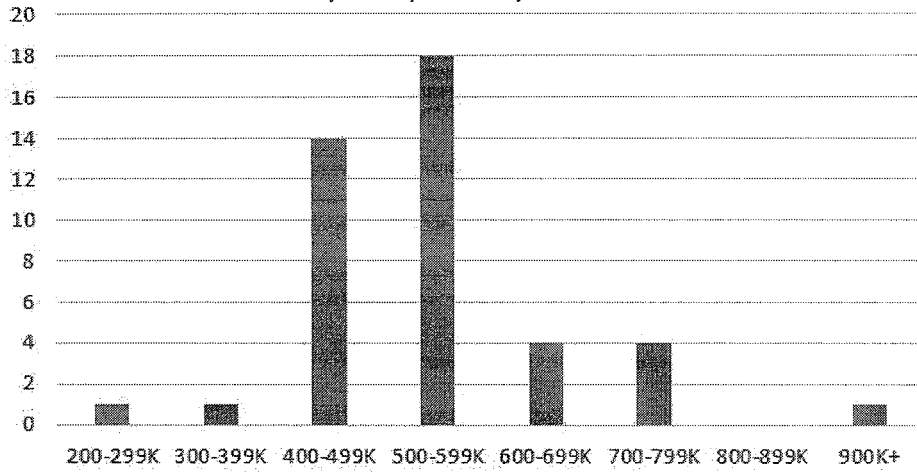
The Board will continue to include both this type of benchmarking analysis and the financial health of the school as we make compensation decisions in the future. Of course, as we identify ways to improve our process, we will do so.

I hope this note is helpful. Please feel free to call me (Adam Honegger: 341-7001) if you have questions about the above information or would like to discuss these compensation issues further.

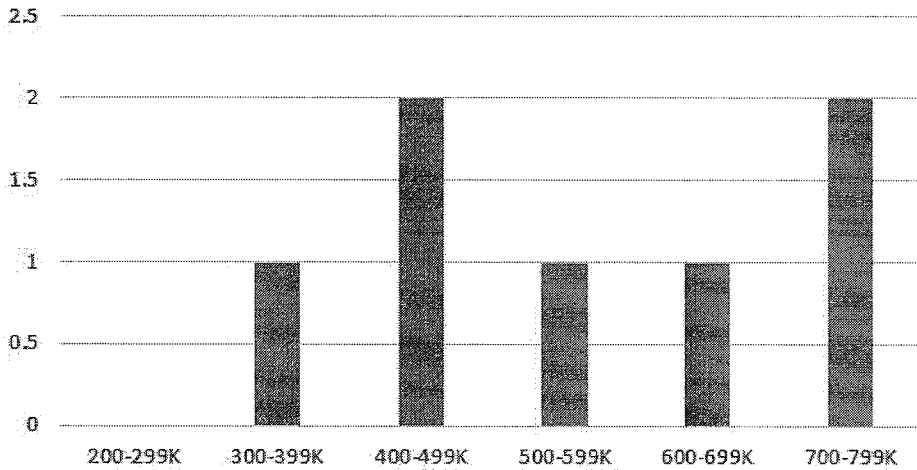
In addition, we encourage you to participate in the Board's upcoming Head of School evaluation survey. We anticipate that this survey will be sent by the end February. As with the last 360-degree evaluation completed for the Head of School in 2011, we will report back to you briefly once we complete the evaluation.

Adam Honegger, Board Chair

### "Top Fifty" Compensation



### Large ISAS Compensation



### Comparable Size Schools

