

Letter from Adam Honegger, Chair, Board of Trustees

Dear Faculty, Staff, and Parents:

This past week has been challenging for the entire Academy community. We recognize it and sincerely appreciate your collective efforts, your patience, and your words of encouragement. But I also want to thank those of you who have been asking tough questions and providing frank and constructive feedback. It's important that we don't live in an echo chamber; it's also important that we focus our efforts toward all community members who want to engage in a productive dialogue. Unilateral support is not the goal, but a fair and respectful forum that ultimately strengthens our school is what we're striving for.

The fact is, last week's situation came at many of us hard, fast, and unexpectedly. But that does not excuse the fact that we missed the mark on communications. We should have let you know earlier that we were working overtime to thoughtfully and accurately address the wide range of issues raised by some members of the Academy community.

We understand that many of the expressed concerns are tied to a collective deep passion for, and commitment to, our students—past, present and future. But considering the significance and breadth of the issues raised last week, we did not want to rush forward with hastily crafted answers when many of these issues are highly complex and some of the relevant data spread across our 63-year history.

That said, you deserve to have the facts as they stand today. Of course, as we work to address the full suite of issues, we will prioritize more immediate communications and transparency with you and the rest of our academic community. No one should be in the dark nor should we allow misinformation and misunderstandings to jeopardize what you and others have helped make a world-class institution.

As you review the summary facts that follow my letter, I'm sure you will agree that our community's near-term challenge is to step back and have a broad common understanding of where we came from, where we find ourselves today, and what we want for the Academy of tomorrow. To this end, we hope this information allays any of your immediate concerns and provides reassurance that everyone involved has the best intentions and is striving for the most productive outcomes.

There is also one very important overarching takeaway that I hope you will help me share

with others: The fact that Albuquerque Academy is strong and remains wholly committed to our values, our history, our diversity, our community, and our future.

Of course, if you would like to talk about any of this or to meet in person, I am more than available. And as the board and administration continue to work to address the issues raised, we will prioritize timely communications and transparency, while also encouraging your feedback and participation.

We look forward to your continued support of our great school and to helping further this constructive dialogue.

And of course, thank you for your time and I hope you have a nice rest of the weekend.

Yours sincerely,

[Adam Honegger '91](#)

Chair, Albuquerque Academy Board of Trustees

Albuquerque Academy: Summary Facts

The issues and explanations presented below are by no means meant to be exhaustive. But they highlight a number of key issues that some in the community have brought forward. And because our work, research, and engagement is ongoing, we expect our information sharing to grow organically over the coming weeks and months. This will be in no small part thanks to your engagement and the engagement of all other community members—whether they are faculty, parents, students, alumni, or friends.

The Endowment

As we all know, the Academy of today was born through a remarkable gift from the Simms family – land stretching from the valley to the crest of the Sandias. Slowly, over more than 40 years, all of that land was sold and developed to create the capital market assets portion of our endowment, which then allowed for the highest quality faculty, staff, students and facilities. The school was also then able to issue publicly traded educational improvement bonds that allowed the construction of most of our campus and the renovation of many of our original buildings. In fact, over the last 50-plus years, as land

was monetized, the endowment grew remarkably, and supported financial assistance and tuition for thousands of deserving students from a diversity of backgrounds. Since 1985, approximately \$84 million in financial assistance has gone toward providing the very best education and opportunities to our high-achieving student body.

The goal of the Academy's board and leadership has always been to grow the endowment in order to sustainably support a diverse community of students, regardless of their ability to pay full tuition. To continue to fund this vision, and in order to replace the original Simms gift with more real estate assets, the Academy purchased over 6,500 acres of land in Rio Rancho for only slightly more than \$700 an acre. Part of those land assets, about 1,400 acres, were developed as the Mariposa residential community for sale to home builders. The value of those 1,400 acres climbed quickly as the new community began to take shape. By 2007, a considerable portion of the Endowment's value consisted of the Mariposa lands and development. But then came 2007. Like the rest of the country, New Mexico slid rapidly into a deep recession, and land values fell precipitously.

And with that fall, the Academy was hit devastatingly hard; our land holdings were significantly written down, causing a significant decline in the market valuation of endowment assets. We were left between a rock and a hard place. The board and administration had to balance this significant reduction in the value of the endowment with the need to support the excellence of our program. Steps were taken immediately to reduce spending and increase revenue, but in ways that would minimize impacts on the community.

Despite these difficulties, we continued to fund the full range of student programs. We remained focused on the needs of, and our commitments to, our student body. And since the financial crisis, the Board has been working diligently to better balance our fiscal realities—all while remaining committed to financial assistance for current students and continuing to admit new students who qualified for financial assistance. In fact, over the past nine years we have cut endowment spending for operations by more than 75 percent—from \$13 million to a budgeted \$3 million this year, and it is expected to be even lower next year.

Albuquerque Academy's more liquid capital market assets have been performing exceptionally well. In fact, over the past five years we are up an annualized 9 percent return and this past year up 13 percent, performing in the upper quartile among our peer

group of similarly-sized endowments. The assets over which we have complete control are being managed actively and skillfully.

It should also be noted that our growing alumni body, one of our most important assets and key to our future, have contributed and pledged over \$17.7 million over the last five years and through this year. They continue to support the administration and faculty with time and fundraising efforts. And our fundraising total from all constituents over the same time period exceeds \$24.5 million. But we know we must do more. In fact, it's a priority for 2018 and it needs to stay that way long into the future.

Our goal is to return to meeting all demonstrated financial need again in the future, and we will get there with the continued strength of our assets, investments, and donor community.

Compensation

There has been a lot of back and forth related to equity issues and compensation. The fact is, faculty, staff, and head of school are all compensated based on a wide range of variables that any similar academic employer would consider. We systematically cross-check the Academy's pay scales and compensation packages with independent school data from across the country. These numbers show quite clearly that our Head of School—singled out in the recent volley—is actually paid below the mean. And as it relates to the assertion that he was given raises during years where teachers received none, that is false and is instead an artifact of reporting changes, payday schedules, and, in one case, what we believe is an incorrectly entered figure on one of our annual 990s. *I can assure you that he was given no raise in years when faculty and staff did not receive any raises, and he has accepted a decrease in pay for the past two years.*

The Future

We strive for the very best for all of our students—regardless of their family's ability to pay, and regardless of the very real damage the financial crisis had on our core assets. We understand this very clearly, share your frustrations and have been working diligently to redirect our course and grow our endowment.

And as we get total endowment spending down to a sustainable level, the probability of endowment growth will increase, though it will still be dependent on economic conditions

and a wide range of financial markets. But when it does begin to increase, support of our programs, support of employee compensation, and support of financial assistance should improve as well. Some of this is already occurring, and we are ahead of the five-year financial plan towards a sustainable budget put in place in September of 2016.

Albuquerque Academy is not closing tomorrow, next year or in the next century. In fact, we remain wholly optimistic about the future. Nothing should happen in a vacuum and you have my commitment—and those of my colleagues—that we will continue to work with parents, students, alumni and others to find more effective ways to bridge the information gaps and work together to constructively solve problems.

We will also work to further develop our fact sheet, and include other areas of interest, concern or importance. This is an opportunity for all of us, and I hope you and others will offer your thoughts and feedback and we move forward. Today's Academy, and tomorrow's, rest on all of our shoulders—let's never lose sight of that.

For more information or to discuss anything related to the this or the Academy, please contact me.

Thank you,

[Adam Honegger](#) '91, Chair, Board of Trustees (505-341-7001)