

**SCHOOL DISTRICT OF SOUTH ORANGE AND MAPLEWOOD, NEW JERSEY**  
**525 Academy Street, Maplewood, NJ 07040**

*Peter P. Horoschak, Ed.D.*  
*Superintendent*

*973-762-5600 X 1821*  
*FAX: 973-378-9464*

**M E M O R A N D U M**

TO: Board of Education Members

FM: Peter P. Horoschak

DT: 6 February 2006

RE: Budget Analysis #13 - LEGAL FEES & EXPENSES INCURRED BY DISTRICT

This analysis, along with other analyses produced in response to the Board's request for information, build on similar budget analyses produced in prior years. All analyses may be found on the district's website: <http://www.somdsd.k12.nj.us/finance/AllYearsRpts.htm>.

This memorandum will respond to the Board of Education's request for an analysis of savings effectuated by the hiring of an In-House Counsel. The attached charts reflect a steady downward trend in district legal fees and expenses.

Chart I reviews legal fees for the 2002-03, 2003-04 and 2004-05 school years. In analyzing legal expenses during 2003-04 and 2004-05, I have included the In-House Counsel salary, benefit package and miscellaneous expenses attributed to the establishment of this position. You will note that the district has saved in excess of \$75,000 since 2002-03 in legal expenses. Legal expenses are defined as fees paid to attorneys, including Schenck Price Smith & King, Love & Randall and Purcell Ries Shannon Mulcahy & O'Neill who serve as our insurance counsel.

Chart II reflects legal expenses through November 30, 2005 so that the Board can get a feel for moneys paid to attorneys during the current school year. The chart provides a year to date analysis for the years 2002-03, 2003-04, 2004-05 and 2005-06, with each column reflecting the fees paid in each of those years through November 30th. The change from 2002-03 to the present year is quite dramatic, reflecting savings in excess of \$100,000.

One of the main goals of bringing our legal services in house, effectuating savings, appears to have been met. In good measure, these savings can be attributed to the convenience of having an attorney on site who can immediately respond to problems and thus minimize litigation exposure. Having an attorney in house, likewise, makes our outside attorneys more efficient. Ms. Bass can, and does, assist them in preparing litigation matters for the district. In the area of special education, in particular, I am pleased to report a huge reduction in the number of pending cases. When Ms. Bass was hired by the district in September 2003 there were more than eight pending cases. There are currently two pending special education cases and Ms. Bass anticipates both of those cases will be resolved in the next few months.

Nonetheless, I would be less than honest if I did not admit that reducing legal expenses sometimes must be attributed to simple good luck. We live in a very litigious society and sometimes, despite our best efforts, lawsuits are filed and must be defended at significant expense. Accordingly, let me emphasize that, although our legal expenses are decreasing, it would not be prudent to decrease budget allocations in this area. Our current appropriation for legal services fees is \$200,000 and, at a minimum, I would recommend that the same amount be budgeted for the upcoming year.

EB/PPH/sas  
Attachment

02/08/2006 8:10 AM  
Page 1 of 2

**Budget Analysis # 13 - Addendum****CHART I – LEGAL EXPENSES**

|                                                             | <b>2002-03</b> | <b>2003-04</b> | <b>2004-05</b> |
|-------------------------------------------------------------|----------------|----------------|----------------|
| Moneys paid to outside counsel*                             | 386,152        | 215,917        | 169,939        |
| Salary of In-House Counsel                                  | -----          | 102,900        | 122,449        |
| Benefits                                                    | -----          | 7,449          | 12,510         |
| Misc. Expenses**                                            |                | 5,000          | 5,450          |
| <b>TOTAL EXPENSES</b>                                       | <b>386,152</b> | <b>331,266</b> | <b>310,348</b> |
| AMOUNT SAVED IN COMPARISION TO<br>TOTAL EXPENSES IN 2002-03 |                | 54,886         | 75,804         |

\*Includes fees paid to SPSK and Love & Randall, together with fees paid to insurance counsel to satisfy deductibles including Purcell, Ries, Shannon, Mulcahy & O'Neill.

\*\* Includes reimbursement for travel, professional memberships, conferences and publications, on-line legal research tools, and furnishings for In-House Counsel's office. The 2003-04 expense is a "best guess" estimate since purchase orders were not done through in-house counsel's office at that time.

**CHART II – LEGAL EXPENSES**

**(Outside Counsel YTD Comparison through Nov. 30<sup>th</sup> of year indicated)**

|                                | <b>2002-03</b> | <b>2003-04</b> | <b>2004-05</b> | <b>2005-06</b> |
|--------------------------------|----------------|----------------|----------------|----------------|
| Moneys paid to Outside Counsel | 138,849        | 118,243        | 89,840         | 29,847         |
|                                |                |                |                |                |