

RESOLUTION 19-12

**A RESOLUTION AUTHORIZING A CUSTOMER LOCKBOX AGREEMENT WITH
FIRST FARMERS & MERCHANTS BANK**

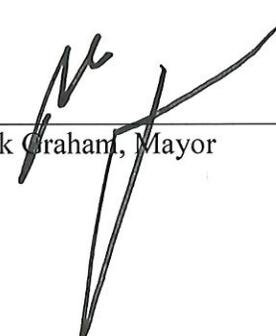
WHEREAS, the City of Spring Hill desires to enter into a lockbox agreement with First Farmers & Merchants for collection and processing of utility payments; and

WHEREAS, First Farmers will partner with Wells Fargo Bank to utilize their lockbox processing site located in Atlanta, Georgia to provide the services; and

WHEREAS, the costs of said lockbox services will be offset by compensating balances in City bank accounts.

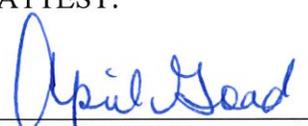
NOW, THEREFORE BE IT RESOLVED, that the City of Spring Hill Board of Mayor and Aldermen, authorize the execution of a lockbox agreement with First Farmers & Merchants Bank.

Passed and Adopted by the Board of Mayor and Aldermen of the City of Spring Hill, Tennessee on the 22nd day of January, 2019.



Rick Graham, Mayor

ATTEST:



April Goad, City Recorder

LEGAL FORM APPROVED:



Patrick Carter, City Attorney



**City of Spring Hill
Budget & Finance Advisory Committee
and
Board of Mayor and Aldermen**

**Discussion-Lockbox Service for Utility
Payments**

Date: December 28, 2018

Memo to: Budget & Finance Advisory Committee and BOMA

From: Patti Amorello, Finance Director

Re: Discussion about Transitioning Utility Payments to Lockbox Solution

BACKGROUND INFORMATION: The City of Spring Hill issues close to 15,000 utility bills each month. Customers have the option of signing up for automatic bank draft (estimated 2,200 monthly), paying on-line (estimated 4,000 monthly), or mailing a check directly to the City. We also have a number of walk up customers who pay with cash or check at the window. Within the Finance Department, staff processes approximately 9,000 payments monthly (primarily customer checks). The majority of those payments typically hit within a one-week period as shown on the attached chart. During that peak period of time, we also experience a significantly higher call volume from customers about their bills which places staff at capacity trying to respond to calls and get payments entered in a timely fashion. At peak times, we are entering 255 items each hour, assisting residents with requests for new service and disconnects, entering payments, juggling phone calls and working with walk-ins. The stress level during that 5-7 day period is *extremely* high.

Part of the issue is the current process in place for handling the water payments. It still remains a very manual process and as a result requires us to utilize additional staff during peak times. From the 7th -18th of the month we currently utilize 4 staff members to process payments in addition to their other responsibilities. The current process for handling and posting of a payment includes:

- 1) Pick up mail from Post Office,
- 2) Physically sort and open mail,
- 3) Remove mail from each envelope,
- 4) Stamp each check with a "For Deposit Only" stamp,
- 5) Enter each payment into our accounting software,
- 6) Balance payments at the end of day,
- 7) Transition to employee responsible for balancing daily deposits, and
- 8) Take deposit to bank for them to post to our account(s).

In discussions with First Farmers & Merchants about options for streamlining the receipting process, they shared that they partner with Wells Fargo to provide a lockbox solution that might be a good fit for the City. Three staff members from our office made a site visit to the Wells Fargo lockbox facility in Atlanta in December to learn more about their operations and how such a solution would work for utility payments. The Atlanta site that we visited is the primary processing location for Wells Fargo (and the other financial institutions they process for) in the Southeast region. It currently has 2,000 customers and processes approximately 1.8 million items per month. The Atlanta area is a preferred processing location due to weather (few bad weather days), access to a major airport and number of households within a certain radius. Because of this, the Post Office has placed a major mail sorting center a few miles away from the Atlanta airport and Wells Fargo has their operations 1.5 miles away from the postal processing center. Due to the volumes and complexity of some of the companies they process for, this location historically has a more seasoned staff with the average experience of their employees and managers at 14 years and 16 years, respectively.

In order to automate the process as much as possible, Wells Fargo has invested heavily in equipment that will sort, open, scan, and image each piece of mail. Items that aren't scannable or can't be processed on the machines are manually entered by two employees in a separate process. Regardless of capture method, error or encoding rates are very low. For each 10,000 items they process, they have an error rate of .62 to .75 items.

Proposed new process:

1. Water bills are sent to the Wells Fargo lockbox for processing
2. Daily, Wells Fargo will send us a transmission file containing all the payments they processed that day which will then be uploaded to our accounting software/utility billing program. Items that don't post/match automatically will be identified as exception items and we will have to research and post manually. Based on review of our current bills, Wells Fargo anticipates they should be able to process over 95% of the mail they receive leaving a few exception items for us to work on a daily basis. Wells Fargo has other customers who use Tyler Technologies. I spoke with Marion Serfass, Director of Finance/Treasurer in Vienna, Virginia, who utilizes the Wells Fargo lockbox facility in Baltimore, MD. Vienna also uses Tyler Technologies software. They receive approximately 15,000 vehicle license renewals at one time annually and transitioned those payments to the lockbox in 2012. It eliminated the necessity of them hiring temporary employees to receipt the large volume of payments. Ms. Serfass is very pleased with the service and the flow of the payments into their accounting software.

Online Banking Bill-Pay

We continually receive inquiries/complaints from our customers who use online banking bill pay. Our customers assume that by initiating payment through their online banking bill payment portal at their financial institution they are sending us an electronic payment which should be received in in a couple of days. In reality, the bill pay provider issues and mails a check to the City that may take 5-7 to get to us before we can begin processing it. In addition to the delays caused by creating and mailing a physical check, these items are not accompanied by a billing statement/stub and quite frequently the customer account number on the check is incorrect, further delaying the posting as we have to research where to post the item. Transitioning to Wells Fargo would accomplish two things. First, it would enable those transactions to be created

electronically as Wells Fargo receives data from the major bill pay providers and converts the information into an electronic file that we upload which would allow us to post to customer accounts the next day instead of a week or more later. Second, the City can send a file to Wells Fargo that would allow them to match the billing account numbers as they are presented from the bill pay providers. They would then correct the account number as it is included in the file which would eliminate exception items that we would have to research. We have had several customers ask about the ability to do this over the past few months. We estimate that 2,000 of our payments monthly are made via online banking bill pay. Transitioning to an electronic payment would benefit both our customers (payments posted to their accounts more quickly) and the City (money goes into our bank account more quickly and the necessity of us receipting each check is eliminated).

Advantages to customers include:

- Processing time should be equal or less once payments are received at the facility;
- Staff is now more available to assist customers with service issues, establishing and turning off service and other related activities.
- Online banking bill pay faster-payments posted more efficiently and timely – snags files from online banking bill pay and converts to electronic transactions – City gets their funds faster and customers' payments are posted more quickly; and
- Error rate less than 1 in 10,000 items means bills are posted to the accounts more quickly and accurately.

Advantages to the City include:

- Cost – absorbed from balances in bank accounts that are earning a lower rate of interest;
- Reduce staff time – totally consumed between 7th-15th of month (4 staff members who are also performing other functions);
- More efficient posting of approximately 9,000 payments, most within a one-week period;
- Using a lockbox would streamline that process and involve 1-2 employees instead of 4-5;
- Frees up customer service staff to focus on customer issues, communication, past dues, etc.

First Farmers would cover the costs of the lockbox program from a portion of the compensating balances in our accounts. This lockbox solution benefits First Farmers by decreasing the number of checks routed to our bank and the related expense of bank staff processing those 9,000 items.

Extensive discussion has taken place regarding the best mechanism to route payments to Wells Fargo. Note: All Spring Hill mail is routed through Nashville. Options are as follows:

Lockbox mail options

- 1) PO Box forwarding – The USPS will gather up all mail in Post Office box (in Nashville) and route via priority mail to Wells Fargo once weekly (usually on Friday). Potential lag time 7+ days. Cost \$20/box x 52 weeks = \$1,040 annually plus significant lag time between customer payments being received at Post Office and posted to account. This service also only runs for a 6-month period and then expires so a City employee would have to renew the mail forwarding request every 6 months or the mail will stop being forwarded and will sit in the Nashville P.O. Box until someone retrieves it.

Additional disadvantage: Priority Mail is delivered to street address and will require additional handling costs on the Wells Fargo side which are highlighted in #2 below.

- 2) Send to separate PO Box in Spring Hill – Bank can priority mail overnight to Wells Fargo (LONGEST SOLUTION)
 - a. Priority mail expense \$20/box – more than \$1,040 annually – would have to figure out schedule to route. If 2x/week, cost would be \$2,080 for shipping only.
 - b. Priority Mail is delivered to street address and will require additional handling costs on the Wells Fargo side.
 - c. Delay in processing time – customer sends check to Spring Hill, goes through Nashville back to Spring Hill, then would have to be priority-mailed to street address at Wells Fargo.

Additional disadvantage: Priority Mail is delivered to a street address and will require additional handling costs on the Wells Fargo side which is associated with the way they must handle/track each individual item (not package) delivered this way. Additional costs for processing in this manner are in the \$6,000/month range based on approximately 8,000 items @ \$.75/per item

- 3) Courier to Atlanta – cost prohibitive (courier charge from Nashville to Atlanta). The costs to utilize a courier are estimated at \$1,800-\$3,200 per month (depending on frequency of pickup) to have the mail couriered by private carrier to the Atlanta location. Additionally, there is a \$30/per delivery charge for the courier so if a courier delivers 3x/week that would be 12 courier deliveries at \$30 for an additional \$360/month. The City also could incur potential liabilities with using a third-party courier related to theft (stealing of checks or account information), accident (payments are delayed or lost), weather related delays, etc.
- 4) Mail to Wells Fargo P.O. Box in Atlanta
 - a. General PO Box – zip plus 4 – unique suffix = unique zip code
 - b. Mail time from Spring Hill to Atlanta = 3 days
 - c. Solution: allow two additional days before posting late payment charges to allow mail time to get there (typically how we operate anyway as a result of internal processing time for us to post the large volume of payments we receive at one time). Currently, our customers' mail goes from their residence or a mailbox to the USPS in Nashville, back to the Spring Hill Post Office. Mail routing from Nashville to Atlanta is done by truck and takes approximately 2.38 days. If you subtract the day that it now takes to get mail from Nashville back to Spring Hill, the net increase in mail time should be 1.38 days. Wells Fargo is located 1.5 miles away from the Post Office. They pick up mail 7 times per day and conduct routine meetings with the Post Office to be sure things are working smoothly.

Should the Board of Mayor & Aldermen approve moving forward, the next steps would be as follows:

- 1) We would work with our bill printer to format the bills to include appropriate coding so that Wells Fargo would scan stubs and create a file including customer information and amount being paid.
- 2) Testing with Wells Fargo would take place – they will test our coupons and envelopes.
- 3) Testing of the electronic file will be conducted.
- 4) Implementation in approximately 2 months.

ATTACHMENTS: Chart showing payment receipts during November.

RECOMMENDATION: Approve implementation of lockbox solution through Wells Fargo.

CUSTOMER LOCKBOX AGREEMENT

Customer: CITY OF SPRING HILL

Address: PO BOX 789

City/State: SPRING HILL TN 37174

This *Customer Lockbox Agreement* (as amended and/or supplemented, this "Agreement") is made and entered into between the Customer indicated above ("Customer") with its principal place of business at the address indicated above and First Farmers & Merchants Bank ("Bank"). This Agreement governs Customer's use of Bank's Lockbox Services (the "Service"). Bank offers the Service under this Agreement only in association with a deposit account maintained by Customer at Bank. The terms, provisions and conditions of this Agreement do not replace, but supplement, any and all other agreements (whether now or in the future) that govern any account maintained by Customer at Bank (whether now or in the future) or any other Bank services utilized by Customer (whether now or in the future).

Therefore, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Bank and Customer, intending to be legally bound, do hereby agree as follows:

1. **DESCRIPTION OF SERVICE.** The Lockbox Service is a Service offered by Bank to Customer whereby Customer directs those persons or entities making payments and other remittances to Customer to mail the payment and certain documentation to a Post Office Box from which Customer has authorized Bank and/or Bank's subcontractor to remove the contents. The terms Bank and Subcontractor may be used interchangeably when used in relation to any services performed by a subcontractor on behalf of Bank including, but not limited to, the receipt and processing of checks and remittances and any data related thereto. It is the responsibility of the Customer to notify remitters that remittances shall be mailed to the Lockbox assigned by Bank. Bank and/or Bank's subcontractor shall perform certain specified functions and deposit the checks into Customer's account. The Service will allow Customer to enter a website hosted by Bank or its third party vendor (the "Website") for the purpose of accessing archival images of Lockbox remittances and other remittance materials processed through Customer's post office lockbox available through Bank. Customer agrees to use the Service and the Website only in accordance with this Agreement and any notices and information posted on the Website (collectively, the "Service Documentation"). Persons authorized by Customer to enter the Website (the "Users") must also accept any "terms of use" for the Website which appear on the Website when a User initially logs on. Customer hereby requests and Bank has agreed to perform the Lockbox Services as provided in this Agreement and the Operating Instructions attached hereto and made a part hereof as Exhibit I. The Operating Instructions shall be issued and executed at the time of execution of this Agreement.

2. **WEBSITE ACCESS SECURITY PROCEDURES.**

- a) If Customer permits its Users to enter the Website indirectly, through an intermediate website portal provided and hosted by Bank, then Bank will give each User a user name and a temporary password to be used when the User first enters the Website. The temporary password Bank assigns to each User must be changed to a new password the User selects when the User first enters the Website. Bank will not know the new passwords or any subsequent passwords selected by the Users.
- b) It is Customer's responsibility to ensure (a) that any user names and passwords are known only to persons who have been properly authorized by Customer to access the Website and use the Service through the Website, and (b) that any user name, passwords, and (if applicable) Identity Credentials are only used by

persons who have been properly authorized by Customer to access the Website and use the Service through the Website.

- c) **FAILURE TO PROTECT USER NAMES, PASSWORDS, AND IDENTITY CREDENTIALS MAY ALLOW AN UNAUTHORIZED PARTY TO (A) USE THE SERVICE, (B) CORRECT, CHANGE, VERIFY, OR SEND DATA USED WITH THE SERVICE, (C) SEND INFORMATION AND COMMUNICATIONS TO, OR RECEIVE INFORMATION AND COMMUNICATIONS FROM, BANK OR (D) ACCESS CUSTOMER'S ELECTRONIC COMMUNICATIONS AND FINANCIAL DATA. ALL ENTRIES INTO THE WEBSITE, ALL COMMUNICATIONS SENT, AND ALL USES OF THE SERVICES, THROUGH CUSTOMER'S USER NAMES, PASSWORDS, OR IDENTITY CREDENTIALS WILL BE DEEMED TO BE ENTRIES, USES, AND COMMUNICATIONS AUTHORIZED BY CUSTOMER AND SHALL BE BINDING UPON CUSTOMER. CUSTOMER ASSUMES THE ENTIRE RISK FOR THE FRAUDULENT OR UNAUTHORIZED USE OF ALL USER NAMES, PASSWORDS, AND IDENTITY CREDENTIALS.** Customer acknowledges the importance of developing internal procedures to limit such risk, which procedures will include, at a minimum, (a) notifying Bank immediately when any new person becomes a User or when any existing User stops being a User, (b) disabling access to the Website immediately for each User who stops being a User, (c) not keeping, in any form or in any place, lists of user names and passwords, and (d) protecting Identity Credentials from unauthorized access.

Customer agrees to notify Bank immediately: (a) when Customer becomes aware of any loss or theft of, or any unauthorized use of, any user names, passwords, or Identity Credentials, (b) when Customer becomes aware of any unauthorized entry into the Website, and (c) of the substance of any other notice or information which any User provides to Customer.

3. **USE OF CERTAIN SOFTWARE TO ACCESS WEBSITE.** In using the Website, Customer will be receiving financial and other data as well as electronic messages through the Internet. Customer acknowledges that when the Internet, or other electronic communications facilities, are used to transmit or receive data and messages, the data and the messages may be accessed by unauthorized third parties. To reduce the likelihood of such third party access, Customer agrees to receive data and messages through the Website using only software, including, but not limited to, browser software, or other access devices that support the Secure Socket Layer (SSL) protocol- or other protocols required by, or acceptable to, Bank, and to follow the Bank log-on procedures that support such protocols.

4. **RESTRICTING OR TERMINATING ACCESS TO THE WEBSITE.** In addition to, and not in substitution for, any provision in this Agreement or the other Service Documentation, Customer understands and agrees that Bank will not in any way be obligated to permit Users access to any financial information or the use of the Service through the Website if (a) such use or access is not in accordance with any term or condition applicable to the Service or the Website or to the information to be accessed, (b) such use or access is not permitted by any state or federal law or regulation, (c) Bank has reasonable cause to believe that such use or access may not be authorized by Customer or any third person whose authorization Bank believes is necessary for such use or access, or (d) Bank has reasonable cause to deny such use or access for Customer's protection or the protection of Bank. If the Service cannot be used through the Website, Bank will make reasonable efforts for the Service to be used by other means. Bank shall not have liability to Customer for any losses or damages Customer may suffer or incur as a result of any such termination.

5. **ESTABLISHMENT OF ACCOUNT.** Customer shall open a business checking account ("Account") and shall submit all forms and documents, including but not limited to signature cards, partnership agreements, and resolutions, as required by Bank in conjunction with this Service.

6. **AUTHORIZATION TO ESTABLISH POST OFFICE BOX.** Customer hereby authorizes Bank to establish a Post Office Box in Customer's name and Bank shall have exclusive access to the Post Office Box. Customer shall execute any and all forms required by the Postmaster to establish the Post Office Box and to grant Bank exclusive access thereto. Customer shall not have access to the Post Office Box and shall not authorize any other person or entity to have access to or remove the contents of the Post Office Box.

7. **AUTHORIZATION TO PROCESS DEPOSITS.** Customer hereby authorizes Bank to open the envelopes addressed to Customer, process the contents, indorse the items on behalf of Customer, prepare deposit tickets, deposit the checks to Customer's account, and perform any other functions specified in the Operating Instructions. Notwithstanding the foregoing and as provided elsewhere in this Agreement, Bank may deposit items to Customer's Account without indorsing items in Customer's name.

8. **BANK'S DUTIES AND RESPONSIBILITIES.**

(a) **Processing Items.** As an agent for Customer, Bank shall remove the contents of the Post Office Box each banking day at intervals determined by Bank in its sole discretion. Customer acknowledges and agrees that removal of the items from the Post Office Box shall constitute delivery of the items by Customer to Bank for collection. Bank shall open the envelopes, process the contents, and deposit the checks into Customer's account in accordance with the Operating Instructions. Any payment not accompanied by a valid payment coupon or any payment whose coupon cannot be read by Bank's system shall be returned to Customer at the address above, unprocessed, unless specified in writing by Customer and agreed upon by Bank. Bank shall use reasonable efforts to process all items removed from the Post Office Box on the banking day the items are removed therefrom; however, Customer agrees that in addition to the "Force Majeure" clause of this Agreement, Bank shall have no liability to Customer for failure to process all items on any given day if the volume received by Bank for all of Bank's lockbox customers exceeds Bank's ability to process all of the items on the day of receipt.

(b) **Bank Shall Not Examine Items.** Customer acknowledges and agrees that Bank will not examine items received by Bank and processed in conjunction with the Service rendered by Bank. Therefore, legends and other instructions placed on items such as, but not limited to, "not valid over \$500," "void after 90 days," "full accord and satisfaction," shall not be discovered by Bank, shall not be binding on Bank and shall not be enforceable against Bank. Likewise, Bank shall not discover alterations, post dated checks, stale dated checks, or discrepancies between the amount of the check or item as written in numbers and words, or other irregularities on the face of the check or item. Customer further acknowledges and agrees that Bank shall not be liable to Customer for any loss that Customer may suffer as the result of Bank's processing items containing such legends, instructions, or irregularities. Customer will be responsible for notifying their payors to send directly to Customer any payments which should not be processed through the lockbox given the limitations stated above. Notwithstanding the foregoing, and without creating any liability on the part of Bank, if Bank detects an alteration, an incomplete check, post dated check, stale dated check, or other irregularity, Bank shall send such item to Customer.

(c) **Endorsement of Checks.** The Uniform Commercial Code provides that a bank becomes a holder of unendorsed items when the customer who is a holder of the item delivers the item to a depository bank for collection. In accordance with that section, while Customer authorizes Bank to endorse items in its name and on its behalf, Bank may, in its sole discretion, elect not to place Customer's endorsement on items deposited by Bank to Customer's account.

(d) **Return Items.** Items returned unpaid by the drawee bank shall be processed in accordance with the Operating Instructions.

9. **INDEMNIFICATION.** Customer agrees to, and does hereby, indemnify and hold the Bank harmless from and against any and all expenses, costs, (including attorneys' fees) claims, causes of action, and liabilities resulting from claims by third parties which directly or indirectly arise from the handling of, and credit given for, remittance items handled under this Agreement, it being understood and agreed that Bank acts herein as agent for Customer.

10. **PRICING.** Customer agrees to pay for the services described in this Agreement at the rates set forth in the Schedule of Fees attached hereto and made a part hereof as Exhibit 2.

11. **ASSIGNMENT.** Bank shall have the right to assign the performance of this Lockbox Service to a subsidiary or affiliate of Bank or to any person or entity unrelated to Bank. Bank shall notify Customer in writing of its intentions to make an assignment at least thirty (30) days prior to assignment of its duties under this Agreement. Notwithstanding the foregoing, Bank shall have the right, in its sole discretion, to use the services of a subcontractor to perform the Services.

12. **EFFECTIVE DATE.** The effective date of this Service shall be the date designated in the Operating Instructions.

13. **TERMINATION.** Either Bank or Customer may terminate this Agreement upon ninety days (90) prior written notice. This Agreement shall remain in full force and effect after the effective date of termination with respect to items previously received and processed hereunder. Termination of this Agreement shall have no impact or effect on any other Services utilized by Customer.

14. **FORCE MAJURE.** Bank shall not be responsible for any liability, loss, or damage resulting from Bank's failure to perform the Service or to perform any other obligations under this Agreement which is caused by an act of God, fire, floods, adverse weather or atmospheric conditions or other catastrophes; war, sabotage, riots, acts of public enemy, or acts of governmental authority or the Board of Governors of the Federal Reserve; labor difficulties; equipment or computer failure or destruction or the unavailability, interruption, or malfunction of communications facilities or utilities; delays or failure to act by Customer or third parties and their personnel; criminal acts; or generally any cause reasonably beyond the Bank's control.

15. **LIMITATION OF LIABILITY FOR SERVICE.**

a) **CUSTOMER AGREES THAT BANK SHALL NOT BE RESPONSIBLE OR LIABLE TO CUSTOMER OR TO ANY OTHER PARTY FOR CONSEQUENTIAL, INDIRECT, SPECIAL EXEMPLARY, PUNITIVE OR INCIDENTAL DAMAGES ARISING OUT OF THE USE BY CUSTOMER OF THIS SERVICE EVEN IF CUSTOMER, BANK, OR BANK'S SERVICE PROVIDER HAVE BEEN SPECIFICALLY ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.**

b) **TO THE FULLEST EXTENT ALLOWED BY LAW, BANK'S LIABILITY TO CUSTOMER UNDER THIS AGREEMENT SHALL BE LIMITED TO CORRECTING ERRORS RESULTING FROM BANK'S FAILURE TO EXERCISE ORDINARY CARE OR TO ACT IN GOOD FAITH.**

c) **CUSTOMER ACKNOWLEDGES AND AGREES THAT CUSTOMER'S USE OF THE SERVICE SHALL BE AT CUSTOMER'S SOLE RISK AND THAT THE SERVICE IS PROVIDED BY BANK ON AN "AS IS" BASIS.**

d) **EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, BANK MAKES NO, AND HEREBY DISCLAIMS ANY AND ALL, REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, IN LAW OR IN FACT, WHATSOEVER TO CUSTOMER OR TO ANY OTHER PERSON AS TO THE SERVICE OR ANY ASPECT THEREOF, INCLUDING (WITHOUT LIMITATION) ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, QUALITY, ACCURACY, PERFORMANCE, OR SUITABILITY. CUSTOMER AGREES THAT NO ORAL OR WRITTEN ADVICE OR REPRESENTATION OBTAINED FROM ANY BANK EMPLOYEE OR REPRESENTATIVE SHALL CREATE A WARRANTY OR REPRESENTATION FOR PURPOSES OF THIS AGREEMENT OR ANY SERVICE TO BE PERFORMED PURSUANT HERETO.**

e) **WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE ENTIRE LIABILITY OF BANK TO CUSTOMER HEREUNDER, AND CUSTOMER'S EXCLUSIVE REMEDY, FOR ANY CAUSE WHATSOEVER AND REGARDLESS OF THE FORM OF ACTION (WHETHER IN CONTRACT, TORT, OR OTHERWISE) WILL BE LIMITED TO THE ACTUAL, PROVEN DAMAGES OF CUSTOMER THAT ARE THE IMMEDIATE AND DIRECT RESULT OF AN ACTION OR FAILURE TO ACT BY BANK CONSTITUTING GROSS NEGLIGENCE, WILLFUL MISCONDUCT, OR FRAUD.**

16. **AUTHORIZATION.** Customer represents, warrants, and certifies that the person executing this Agreement on behalf of Customer has been duly authorized by Customer to do so and to bind Customer to the terms hereof. This Agreement shall constitute the legal, valid, and binding agreement of Customer, enforceable against Customer in accordance with its terms.

17. **RELATIONSHIP OF PARTIES.** Bank's duties and authority to act as agent on behalf of Customer are

limited to those actions specifically outlined in this Agreement. Customer and Bank acknowledge and agree that the relationship of Bank and Customer is that of an independent contractor and that this Agreement does not establish or create a general agency, joint venture, partnership, or employment relationship between them.

18. **GOVERNING LAW.** Except as governed by federal law, regulation, rule or government policy, as varied by this Agreement, this Agreement is subject to, and shall be governed by and interpreted in accordance with, the laws of the State of Tennessee, without regard to its conflict of laws rules.

19. **WAIVER OF JURY TRIAL.** CUSTOMER AND BANK EACH WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM RELATING TO ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY TRANSACTION HEREUNDER, AND BOTH PARTIES ACKNOWLEDGE AND AGREE THAT ANY SUCH ACTION, PROCEEDING, OR COUNTERCLAIM WILL BE TRIED BEFORE A JUDGE ONLY.

20. **SEVERABILITY AND BINDING EFFECT.** The holding of any provision of this Agreement as invalid, illegal, or unenforceable, in whole or in part, shall not affect the other provisions of this Agreement, which shall remain in full force and effect. This Agreement shall be binding upon and will inure to the benefit of the parties hereto, their successors and assigns.

21. **HEADINGS.** The headings and captions contained in this Agreement are included only for convenience of reference and do not define, limit, explain, or modify this Agreement or its interpretation, construction, or meaning.

22. **WAIVER.** No failure or delay on the part of Bank to exercise any right hereunder will operate as a waiver of such right, nor will any single waiver by the Bank (whether or not in writing) of any term, condition, or obligation of Customer bind the Bank to waive the same term, condition, or obligation again, nor shall any other provision, condition, term, or obligation hereof be affected by such a waiver.

23. **ENTIRE AGREEMENT.** This Agreement, together with any exhibits or attachments hereto, constitutes the entire agreement between the parties hereto concerning the subject matter hereof. All contemporaneous agreements or understandings concerning the subject matter hereof, whether oral or written, are merged into this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates indicated below.

This Agreement must be signed on behalf of Customer by an Authorized Customer Representative.

CUSTOMER:

Rick Graham - City of Spring Hill
By: _____
(signature)

Typed or Printed
Name: Rick Graham
Title: Mayor
Date: 1-22-2019

BANK:

First Farmers & Merchants Bank
By: _____
(signature)

Typed or Printed
Name: Steve Chapel
Title: Commercial Relationship Manager
Date: 1/24/19

First Farmers & Merchants Bank

EXHIBIT 1

OPERATING INSTRUCTIONS

First Farmers & Merchants Bank ("Bank") and CITY OF SPRING HILL, TENNESSEE ("Customer") having entered into the Customer Lockbox Agreement ("Agreement") hereby agree to the following Operating Instructions. These Operating Instructions are part of the Agreement and, unless otherwise stated, terms contained in these Operating Instructions shall have the same meaning as the terms in the Agreement. The terms and conditions of these Operating Instructions shall control any inconsistent terms and conditions of the Agreement.

1. CUSTOMER INFORMATION

Customer Name: CITY OF SPRING HILL
Customer Address: PO BOX 789
City/State/ZIP: SPRING HILL TN 37174
Federal Taxpayer ID: 62-0692693
Contact Person: PATTI AMORELLO
Phone Number: (931) 499-7210 E-Mail: pamorello@springhilltn.org
FAX: (931) 486-0514
Lockbox Account Number: _____

2. LOCKBOX INFORMATION

Lockbox Name: _____
Drawer Number: _____
P.O. Box: _____
City/State/ZIP: _____

3. BANK PROCESSING PROCEDURES

After collection of the contents of the P. O. Box, Bank will open the envelopes and remove the checks, money orders, cash, and other forms of payment ("Remittances"), and the statements, invoices, correspondence, papers, documents, or other items ("Remittance Materials"). Remittance Materials and envelopes containing Remittance Materials must be of a size and paper quality so as to be properly processed through Bank's equipment without damage. If cash is contained in the Remittance, the cash will be removed and a credit advice for the amount of the cash will replace the cash. Bank shall add the checks received for deposit, prepare a deposit slip, and make the deposit to the Lockbox Account, provided that payments are accompanied by machine readable coupons which meet the formats and specifications agreed upon by Customer and Bank. Except as otherwise specifically provided in these Operating Instructions, Bank will not reconcile the checks, cash, or other items in the envelopes to the invoice, statements or other documents contained in the envelope. Bank will perform the following specific Lockbox services and is authorized to take the following actions by Customer:

- a) Option to be selected by Customer.]
Do not deliver all envelopes to Customer; envelopes may be destroyed or discarded by Bank after 3 days.
- b) If Customer opts to have envelopes delivered, attach or stack any materials not related to the payment with their respective envelope; otherwise, deliver any materials not related to the payment to Customer with the deposit information. Exception items may have contents replaced in respective envelope and returned to Customer.
- c) Unprocessable items will be mailed to the address above. Standard image processing includes storage of all the documents at the lockbox site for 3 days. Items are then destroyed.
- d) If the numerical and written amounts of any Remittance are not the same, (the numerical or written amount that corresponds to an amount on the Remittance Material(s) enclosed with the Remittance, if applicable, will be the amount deposited.
- e) If the numerical and written amounts on any Remittance are the same but do not correspond to an amount on the Remittance Material(s) enclosed with each Remittance, the amount reflected on the Remittance will be deposited.
- f) Return checks will be processed in accordance to the deposit agreement and bank policy.
- g) Accumulate all expenditures incurred on behalf of Customer and charge these expenditures to Customer's Account. Deliver to Customer an appropriate debit advice listing a breakdown of all charges. Include normal per item monthly charges for Lockbox and any associated automated reporting system in the monthly analysis of Customer's Account.
- h) Contact any of the Customer Representatives with any questions that may arise in processing the Lockbox.
- i) With respect to improperly encoded items, Customer agrees that Bank may make appropriate adjusting entries debiting or crediting Customer's account at the time the discrepancy is discovered. Notice will be given to Customer at the time the entry has been made.
- j) Unless otherwise requested in writing by Customer, handle the following items in the manner indicated and Bank shall have no liability to Customer for taking such action:
- 1) Checks bearing the notation "payment in full" or any notation similar thereto will be processed.
 - 2) Checks shall be processed regardless of date.
 - 3) Foreign items will be processed according to the Bank's usual operating procedures for processing foreign items. Items will be mailed to Bank from processing center for deposit.
 - 4) Undated checks will be processed.
 - 5) Checks payable to a payee other than Customer will be processed.

4. EFFECTIVE DATE

The Effective Date of these Operating Instructions shall be the date of execution of this Exhibit 1.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates indicated below. This Agreement must be signed on behalf of Customer by an Authorized Customer Representative.

CUSTOMER:

CITY OF SPRING, HLLC

By: 
(signature)

Typed or Printed

Name: PATTI ADORELLO

Title: FINANCE DIR

Date: 1/24/19

BANK:

First Farmers & Merchants Bank

By: 
(signature)

Typed or Printed

Name: Steve Chapel

Title: Commercial Relationship Manager

Date: 1/24/19

EXHIBIT 2
SCHEDULE OF FEES

LOCKBOX PRICING

The fee for your Lockbox System is based on the degree of service required.

Standard Retail/Wholesale LB monthly fees

Up to 1,000 items	\$500.00
1,001 – 2,500 items	\$750.00
2,501 – 5,000 items	\$1,000.00

Per Deposit Fee \$0.95

Monthly Minimum \$500.00

One-Time set up Fee \$135.00

Annual PO Box Rental \$225.00

Additional Services:

Each Image Viewed in ELI	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Variable
Additional Data Input	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Variable
Hand Written Notifications	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Variable
Address Change Information	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Variable
Exceptions	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Variable
Special Sorting	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Variable
Foreign Items	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Variable
Other services as required	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Variable

All charges may be remitted directly as fees or through a compensating balance arrangement.