



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of January 27, 2026

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Tim Rood, Community Development Director

SUBJECT: “Shop Hercules” Yiftee Gift Card program

RECOMMENDED ACTION:

Receive a report on the “Shop Hercules” Yiftee Gift Card program, ask any questions, take public comment, and provide any comments or direction to staff on continuation of the Yiftee Gift Card program.

BACKGROUND:

Following the COVID-19 pandemic, the City implemented a Yiftee Community Digital Gift Card program as a way to stimulate the local economy and assist small businesses in recovery. The program provides bonus cards that yield additional savings to card purchasers who shop locally. To date, the City has matched each card purchase with a free gift card of equal amount.

Yiftee gift cards are virtual credit cards that are ordered and paid for online and emailed to the buyer. To redeem the cards, users present merchants with their Yiftee credit card number, expiration date, and 3-digit authorization code, and the merchant types all this information into their Point-of-Sale device. Users can view their remaining card balance online. Transactions that exceed the remaining card balance are declined, which can make it difficult to redeem the full card balance unless the user knows the exact balance remaining and can persuade the merchant to split their purchase into two credit card transactions. Beginning in June 2025, Yiftee has begun implementing tap-to-pay (allowing users to load their virtual cards into their ApplePay or Google Wallet), which will make them considerably easier to use for both merchants and customers.

To date, the City has allocated a total of \$165,000 in gift card funding, as well as approximately \$1,525 for the economic development consultant that assists the City with the program, HdL ECONSolutions. The City Council allocated Yiftee funding in the amounts of \$65,000 in July 2022, \$75,000 in March 2023, and \$25,000 in November 2023.

To date, the City has also opted to pay 100% of Yiftee's transaction fees for issuing the cards, which come to \$1 per card plus 5% of the card value for non-bonus cards. For example, a user purchasing a \$100 card would receive a free \$100 bonus card, and the City would incur fees of \$7.50 on the transaction (\$1 for each card plus 5% of the customer-purchased card value) These fees are deducted from the available bonus card funding as cards are purchased. As of July 2025, \$10,711 had been deducted in fees.

Pinole and Rodeo currently each have a Yiftee program in place. The City-funded "Pinole Perks" program provides a 25% bonus and has \$25,000 in funding released at intervals throughout this fiscal year. The "Rodeo Rewards" program, which is funded by the Phillips 66 Rodeo Renewed Project Community Benefits Agreement through a County grant to the Bay Front Chamber, provides a 50% bonus and also has \$25,000 in funding.

ANALYSIS:

At its October 15, 2025 meeting, the Council's Economic Development Subcommittee received a report on the Yiftee program and requested that this item be brought to the full Council for discussion.

At the Subcommittee meeting, staff had recommended a maximum card value of \$100 and a maximum of 2 card purchases per user per quarter. Following the Subcommittee meeting, Yiftee representatives confirmed that current Yiftee guidelines allow only one card purchase per user per round of funding and recommended that the maximum card value be increased to \$200 to provide the same value proposition to the user.

Card Usage

Staff analysis of Yiftee redemption data through July 2025 found that following each round of funding, cards were purchased and redeemed almost entirely within the following two months. (Customer-purchased cards do not expire, but the bonus gift cards expire after 120 days.) A total of 522 unique buyers purchased 1,420 cards and received 1,384 gift cards. The most common card value purchased by far was \$100, with over 1,800 such cards purchased, followed by over 350 cards valued at \$250 and over 250 cards valued at \$50. Each round of funding allowed two purchases per customer. The City's program guidelines were modified for the October 2023 round of funding to make \$100 the largest card available for purchase.

Analysis of redemptions by merchant category found that about \$137,000, or 46% of the total redemptions, occurred at the ten participating health/beauty businesses, which primarily provide services that are not subject to sales tax. The next largest category was restaurants, with about \$131,000 in redemptions at the 14 participating restaurants, accounting for 44% of the total. These two categories together accounted for 90% of redemption value, with the remaining 10% (approximately \$30,000) split among the other participating merchants, including the City's Parks and Recreation Department programs and other recreational services that are not subject to sales tax.

Sales Tax Impact

To assess the impact of the Yiftee program on the City's sales tax receipts, staff compared the sales tax revenues for participating and non-participating restaurants, before and after the introduction of the Yiftee program. Restaurants provide a good basis for evaluation, because they comprise nearly half of Yiftee redemptions, are easy to identify as a distinct category in the sales tax data, and collect sales tax on nearly all their sales. In addition, there is a sufficient number of restaurants in both the participating and non-participating categories to avoid sales tax data confidentiality issues.

Between March 2021 and March 2025, the 14 restaurants that began participating in Yiftee in the fall of 2022 accounted for between 19% and 26% of total restaurant sales. Overall restaurant sales tax receipts increased modestly in 2021 as pandemic restrictions began to be removed and have shown only minor seasonal variations since 2022. Following each introduction of Yiftee funding, sales tax revenues remained similar for both Yiftee and non-Yiftee restaurants. This suggests that the bonus card redemptions, even for taxable goods, largely replaced purchases that customers might otherwise have made out of their own pocket, without noticeably increasing overall sales or sales tax receipts.

Conclusion

While the Yiftee program did not appear to materially increase sales tax receipts, and the City has many other funding needs and priorities, the City Council may wish to approve additional funding for the program to provide additional support to customers of participating businesses and maintain parity with neighboring cities. Yiftee representatives also suggested marketing the gift cards as thank you-gifts and around the holidays. They indicated that successful marketing programs emphasized the value of the cards as small gifts of appreciation, as opposed to emphasizing the bonus gift card subsidy.

Should the Council, wish to proceed with a new round of Yiftee funding, staff would return to Council for an appropriation and authorization to proceed.

FISCAL IMPACT:

This program would require a new allocation from the General Fund. Should the Council, wish to proceed with a new round of Yiftee funding, staff would recommend a one-time \$25,000 allocation for the current fiscal year, to be released at quarterly intervals, a 25% bonus on gift card purchases, a maximum card value of \$200, and a maximum of 1 card purchase per user per quarter.

ATTACHMENTS

1. Shop Hercules Presentation