



## **CITY COUNCIL AGENDA REPORT**

**MEETING DATE:** 11/5/2024

**DEPARTMENT:** City Manager

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### **SUBJECT:**

CONSIDERATION OF DRAFT FINAL SPENDING PLAN FOR STRATEGIC ECONOMIC INVESTMENT PROGRAM

### **RECOMMENDED ACTION(S):**

1. Approve the Draft Strategic Economic Investment Program Final Spending Plan.
  2. Approve a supplemental budget appropriation for the 2025 Taste of Lake Forest.
  3. Authorize the City Manager to enter into the attached BOGO Campaign Quickstart Agreement with Yiftee, Inc. and solely include the \$50 and \$100 gift card options with a limit of one gift card per purchaser for the Shop & Dine Community Gift Card Program.
  4. Adopt a Resolution Entitled: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE FOREST, CALIFORNIA, AMENDING THE 2023-2025 OPERATING BUDGET, AMENDING APPROPRIATIONS FOR FISCAL YEAR 2024-25.
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### **EXECUTIVE SUMMARY:**

The Strategic Economic Investment Program ("SEIP"), approved by the City Council on February 15, 2022, was established to support local businesses recovering from the COVID-19 pandemic. The program allocated a total of \$8,303,350 across three key sectors: restaurants, hotels, and other businesses impacted by the pandemic. In 2024, the City Council revised the allocations, combining Restaurant Industry Assistance with Other Impacted Industry Assistance, resulting in a total of \$5,803,350, while maintaining \$2,500,000 for Hotel Industry Assistance.

Since its inception, several SEIP initiatives have been launched to support local businesses and boost economic recovery. The Community Gift Card Program ("BOGO"), approved in October 2022, encourages spending at local businesses by offering residents matching gift cards. To date, the City Council has approved

eight phases of funding for this program. Phases two through eight have included an allocation of \$565,000 and the opportunity for purchasers to buy three cards in each phase. The City of Lake Forest ("City") is party to the Community Card Customer Agreement with Yiftee, Inc. ("Yiftee") for the provision of electronic cards (Attachment 1). In addition, the Catalytic Converter Theft Mitigation Programs were established in December 2022. These programs provided financial assistance to residents to help prevent catalytic converter theft. Both Catalytic Converter Theft Mitigation Programs are in the closeout phase.

In addition to these efforts, the City Council reserved funds for the hotel industry. A \$2.5 million allocation was made to support a marketing campaign, with plans to expand this into a broader City-wide branding strategy. The Taste of Lake Forest, an annual community event, was successfully reintroduced in June 2024, supported by a \$75,000 allocation. The City also partnered with the Orange County Small Business Development Center ("SBDC") in February 2024 to provide the Main St. Digital Training and Grant Program ("Main St. Digital").

As of now, approximately \$5 million has been allocated to SEIP programs, leaving \$3.2 million in remaining funds. Of this, approximately \$850,000 remains for restaurant and impacted business assistance, while approximately \$2.3 million remains in the hotel assistance category. Staff prepared a Draft SEIP Final Spending Plan ("Draft Plan") that includes \$75,000 for the 2025 and 2026 Taste of Lake Forest events, \$500,000 for a City-wide marketing campaign, and funding for five additional phases of the BOGO. The Draft Plan ensures that all SEIP funds are obligated by December 31, 2024, and fully expended by December 31, 2026, to mirror the federal stimulus guidelines under the American Rescue Plan Act ("ARPA").

On October 22, 2024, the City Council Audit Committee met to discuss the Draft Plan. Following the Audit Committee's review, staff present recommendations for City Council consideration. Staff recommend the City Council approve the Draft Plan. Staff also recommend the City Council approve the proposed 2025 Taste of Lake Forest budget allocation of \$75,000 and ninth SEIP budget allocation to the BOGO in the amount of \$565,000 and allow the purchase of one BOGO card per purchaser. To effectuate the ninth funding phase of the BOGO, staff recommend the City Council authorize the City Manager to enter into the attached BOGO Campaign Quickstart Agreement with Yiftee (Attachment 2). Lastly, staff recommend adopting a resolution authorizing the budget appropriation of \$640,000 to cover the costs of the 2025 Taste of Lake Forest and ninth funding phase of the BOGO (Attachment 3).

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## BACKGROUND:

Passed into law on March 11, 2021, the ARPA creates funding opportunities to help communities respond to the effects of the COVID-19 pandemic. The law outlines eligible uses for funding which have been interpreted by the U.S. Treasury. The U.S. Treasury outlined seven compliance categories for the ARPA grant funds awarded to local governments.

On August 17, 2021, the City Council approved a spending plan that focused on three of the ARPA spending categories: Negative Economic Impacts, City Workforce Retention, and Grant Administration. The largest expenditure category in the spending plan is Negative Economic Impacts, which involves addressing negative economic impacts of the COVID-19 pandemic by providing assistance to impacted business industries.

On February 15, 2022, the City Council approved the SEIP. The SEIP established a budget utilizing general fund monies for economic development programs to help local businesses recover from the COVID-19 pandemic. It assigns \$8,303,350 in economic support funds to three business types: restaurants, hotels, and other businesses impacted by COVID-19. The SEIP spending categories are aligned with the spending plan adopted on August 17, 2021, focusing on aiding impacted businesses recover from the pandemic.

On February 6, 2024, the City Council approved combining the budgets for Restaurant Industry Assistance and Other Impacted Industry Assistance. Thus, the new allocations of funds by category are seen in Table 1 below.

*Table 1: Updated SEIP Business Support Allocations*

Category	Allocation
Restaurant Industry & Other Impacted Industry Assistance	\$5,803,350
Hotel Industry Assistance	\$2,500,000
<b>Total Business Support</b>	<b>\$8,303,350</b>

Following the establishment of SEIP, the City Council Audit Committee and staff began formulating economic development programs for City Council consideration. The following background summarizes five SEIP initiatives that have been enacted since the approval of the program.

### Buy One Get One

On October 4, 2022, the City formally authorized the BOGO. The program provides residents and visitors with an opportunity to buy community gift cards and receive an electronic, matching gift card of the same value for free. During each promotional phase thus far, purchasers have been eligible to acquire up to

three BOGO cards. To date, the City Council has approved eight funding phases of the BOGO.

### Catalytic Converter Theft Mitigation Programs

On December 20, 2022, the City Council formally authorized the program guidelines and associated contract documents to establish the catalytic converter Painting and Etching (“P&E”) and Shield Programs. Under the P&E Program, participating local businesses were provided \$125 on a reimbursement-basis from the City to provide P&E Program services on resident’s vehicles. Under the Shield Program, residents were provided a \$250 gift card toward the purchase and installation of a theft deterrent catalytic converter shield at a participating local automotive shop. The City provided an electronic gift card to residents after their application to participate was approved.

On August 20, 2024, the City Council approved the closeout of the two programs. Participating residents and auto shops received notification. As of October 1, 2024, auto shops are no longer painting and etching catalytic converters as part of this program, and gift cards for the Shield Program are not available for purchase. Gift cards have a six-month expiration on them and residents will be able to redeem services through the end of the six-month term.

### Hotel Industry Assistance

The City’s 2023-2030 Strategic Plan introduced a strategy to launch a Hotel Marketing Campaign, aimed at revitalizing the local hotel industry following the COVID-19 pandemic. A budget of \$2.5 million in SEIP funds was allocated to provide direct assistance to the local hotel industry. Staff conducted a survey to gauge local hotels' funding needs and preferences, but the limited responses were insufficient to draw any conclusions that would support additional programing.

The Audit Committee discussed expanding the proposed hotel marketing campaign to include a comprehensive City-wide branding strategy. Staff presented this item to the Audit Committee on April 23, 2024, and on October 15, 2024, the City Council awarded a Professional Consultant Services Agreement for City Branding Services to JPW Communications, Inc.

### Taste of Lake Forest

The 2023-2030 Strategic Plan included a strategy to reintroduce the annual Taste of Lake Forest event to the community. On July 5, 2023, the City Council approved a resolution amending the 2023-2025 Operating Budget, allocating \$75,000 for event expenditures. The Taste returned on June 21, 2024, at Heritage Hill Historical Park and was well received by attendees and businesses.

## Orange County Small Business Development Center ("SBDC")

The 2023-2030 Strategic Plan included Initiative #23 – SEIP 2.0, aiming to reformulate the SEIP program. On November 13, 2023, the Audit Committee discussed potential uses for remaining SEIP funds, which were presented to the City Council on February 6, 2024. The City Council approved \$50,000 for SBDC's Main St. Digital Program, a seven-week virtual training for brick-and mortar businesses to enhance their digital presence. City staff are collaborating with the SBDC to implement this program in Lake Forest.

### Summary of SEIP Funds

To provide a more comprehensive understanding of the current state of SEIP, the following discussion outlines the most up-to-date status of SEIP initiatives and remaining funds. Table 2 below outlines all SEIP programs that have been enacted to date and the allocated funds.

*Table 2: SEIP Programming & Allocations to Date*

<b>Event/Program</b>	<b>Approval Date(s)</b>	<b>Allocation</b>
Agreement with HdL	6/21/2022	\$124,790
BOGO Phases 1-8	10/4/2022 – 5/21/2024	\$4,530,000
Catalytic Converter Programs	10/4/2022 – 2/21/2023	\$174,154
2024 Taste Event	7/5/2023	\$75,000
SBDC Program	2/6/2024	\$50,000
Branding Consultant	10/15/2024	\$125,000
<b>Total:</b>	<b>\$5,078,944</b>	

As demonstrated by Table 2, approximately \$5 million dollars have been allocated to SEIP related programs.

### Audit Committee Meeting

On October 22, 2024, the City Council Audit Committee met to discuss and provide feedback on staff's Draft Plan. The Audit Committee provided input on the uses of remaining funds. Following the Audit Committee's feedback, staff outlined the Draft Plan below.

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## **DISCUSSION:**

### Current SEIP Funds

Table 3 below outlines SEIP allocations and remaining funds by category.

*Table 3: SEIP Allocations & Remaining Funds by Category*

Category	Allocation	Remaining Funds
Restaurant Industry & Other Impacted Industry Assistance	\$5,803,350	\$849,406
Hotel Industry Assistance	\$2,500,000	\$2,375,000
<b>Total:</b>	<b>\$8,303,350</b>	<b>\$3,224,406</b>

There is approximately \$3.2 million remaining in total SEIP funds. Of the \$3.2 million, approximately \$850,000 remains in the Restaurant Industry & Other Impacted Industry Assistance category. The remaining \$2.5 million is allocated in the Hotel Industry Assistance category.

#### Draft Final SEIP Spending Plan

On August 20, 2024, the City Council directed staff to present a final SEIP spending plan to the Audit Committee. Staff recommend the Draft Plan outlined in Table 4 below.

*Table 4: Draft Final SEIP Spending Plan Allocations*

Phase	Category	Allocation
Taste Event 2025	Restaurant Industry & Other Impacted Industry Assistance	\$75,000
Taste Event 2026	Restaurant Industry & Other Impacted Industry Assistance	\$75,000
Citywide Branding Campaign	Hotel Industry Assistance	\$500,000
BOGO Phases 9-13	Restaurant Industry & Other Impacted Industry Assistance & Hotel Industry Assistance	\$2,574,406
<b>Total:</b>	<b>\$3,224,406</b>	

As demonstrated by Table 4, staff recommend allocating \$75,000 toward the 2025 and 2026 Taste of Lake Forest event from the Restaurant Industry & Other Impacted Industry Assistance category. The \$75,000 would be used toward event expenditures. Expenditures include costs for marketing, permits, rentals, an agreement with the Lake Forest Chamber of Commerce, participation sponsorship, event operating supplies, and other miscellaneous costs. In addition, staff anticipate a budget of approximately \$500,000 from the Hotel Industry Assistance category to cover costs associated with implementing the City-wide marketing campaign. The Draft Plan also merges unallocated Hotel Industry Assistance Funds into future BOGO programs.

Table 5 below outlines the proposed BOGO Round approval by the City Council. It typically takes approximately one week after approval by the City Council to get funds into the Yiftee account. The proposed schedule is tailored to add funds during the 2024 holiday season and toward the end of summer/beginning of fall 2025. In line with past funding phases, staff propose allocating \$565,000 per phase. Additionally, this schedule aligns with the intent of the ARPA by the expenditure of all funds by the end of 2026.

*Table 5: Remaining Funds After Draft Final SEIP Spending Plan Allocations*

Phase	Amount	City Council Date
Phase 9	\$565,000	November 9, 2024
Phase 10	\$565,000	December 3, 2024
Phase 11	\$565,000	May 2025
Phase 12	\$565,000	July 2025
Phase 13	Remaining Funds	September 2025

To match the intent of the ARPA, the Draft Plan for SEIP funds delineates that all funds be obligated by December 31, 2024, with the expectation that SEIP funds must be fully expended by December 31, 2026.

Staff is also seeking feedback on the allowable number of BOGO cards that purchasers can buy per phase. In rounds one through eight, individuals were permitted to purchase up to three cards. However, during phase eight, program funds were depleted within approximately two to three days. Yiftee Inc., the BOGO card system provider, is unable to restrict card purchases to Lake Forest residents. Therefore, to extend the program's duration and offer greater public participation, the Audit Committee provided feedback to reduce the purchase limit to one BOGO card per person, and to market and promote a "go live" date two weeks after the City Council approves the funding phase. This advanced notice would allow interested parties to prepare to purchase a BOGO card and avoid missing the promotion. The attached draft BOGO Campaign Quickstart Agreement with Yiftee states BOGO cards would be available for purchase on Tuesday, November 19.

### Conclusion

Staff recommend the City Council approve the Draft Plan, authorize the City Manager to enter into the attached BOGO Campaign Quickstart Agreement with Yiftee, and approve the draft resolution authorizing the budget appropriation to cover the costs of the 2025 Taste of Lake Forest and ninth funding phase of the BOGO. Staff would return to the City Council for approval of future BOGO funding phases, 2026 Taste of Lake Forest, and Citywide Branding Campaign implementation.

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**FISCAL IMPACT:**

Approving the proposed resolution (Attachment 2) would appropriate \$640,000 to the City's General Fund in the 2023-2025 Operating Budget to cover the costs of the 2025 Taste of Lake Forest and proposed BOGO Campaign Quickstart Agreement with Yiftee, Inc.

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**ATTACHMENTS:**

1. Customer Card Agreement with Yiftee, Inc.
2. Proposed BOGO Campaign Quickstart Agreement with Yiftee, Inc.
3. Proposed Resolution Appropriating \$640,000 for Community Gift Card Program

Initiated By: Adrian Grijalva, Economic Development/Housing Manager  
Submitted By: Keith Neves, Assistant City Manager  
Approved By: Debra Rose, City Manager