CITY OF CAMBRIDGE | Finance Department

To: Yi-An Huang, City Manager

From: Claire Spinner, Assistant City Manager, Fiscal Affairs
Rae Catchings, Chief People Officer
Jay Fusco, Chief Information Officer

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Subject: Modernization of the City's Enterprise Resource Planning Software System

This memo provides an update on the City's planning to replace its legacy Enterprise Resource Planning (ERP) software system, which is now more than 25 years old. A modern technology platform is essential and will require a multi-year, resource intensive and costly effort. While no appropriation is requested in FY27, the project has been added to the City's Five-Year Capital Plan, with an initial appropriation request anticipated for FY28. During FY27, staff will continue developing the project scope and planning, and we expect to bring a more comprehensive proposal to the Government Operations Committee in early winter 2028.

Overview: A Strategic Capital Investment in Modern Technology

The City relies on a central software platform known as an Enterprise Resource Planning (ERP) system to manage and connect core financial and human resource activities. This system is used to pay employees, manage benefits, track finances, purchase goods and services, and pay vendors. The ERP system supports every City department and helps us meet important financial, regulatory, and service obligations.

The City's current ERP platform, PeopleSoft, is based on aging technology and lacks several modern features—such as automated workflows and real-time financial reporting and dashboards—that are now standard across contemporary ERP systems. Continuing to rely on an aging ERP system increases risks related to security, supportability and the City's ability to meet future operational and reporting needs.

As with buildings and other public infrastructure, the City must invest in modernizing the critical technology systems that support daily operations. Modernizing the ERP is a long-term capital investment that will replace aging technology and significantly improve how core business processes. Preliminary estimates indicate that the full ERP modernization effort will require funding of approximately $15–$20 million over five years.

Claire Spinner: Assistant City Manager for Fiscal Affairs
Michele Kincaid: Deputy Finance Director
795 Massachusetts Ave., 1st Floor
Cambridge, MA 02139
Phone: (617) 349 – 4220
Email: treasurer@cambridgema.gov

Why Modernization Is Needed

It is critical that we plan for the replacement of our 25-year-old platform**.** PeopleSoft was built in an earlier generation of enterprise technology. While it continues to be reliable, maintaining it requires:

- Specialized technical skills that are becoming harder to source
- Custom integrations that limit flexibility
- Manual workarounds that absorb staff time and increase the risk of errors

In addition, many features that are considered standard in modern systems—such as online time reporting, automated workflows for hiring and other business processes, and easy-to-use employee self service tools—are either limited or unavailable.

Beyond technology, the City has an opportunity to rethink how work gets done. Our current human resources, payroll, and financial processes often involve paper-based routing, manual approvals and tracking and multiple data entry steps. We also have limited reporting tools. A modern ERP system will help streamline these workflows, reduce manual effort, improve data accuracy, and provide clearer and more timely information for decision making.

Evaluation Process

Over the past year, the Human Resources, Finance, and IT Departments, in partnership with School Department teams, began evaluating options for a modern ERP environment. We are using this evaluation as an opportunity to identify where the current system falls short and what improvements a modern solution could bring, both technologically and operationally. The evaluation includes a detailed review of data structures and business processes, as well as technical needs across human resources, payroll and financial management.

To ensure a thoughtful, objective, and well-informed approach, we have also contracted with an independent advisory firm experienced in public sector ERP modernization. They will assess our organizational readiness, document business requirements, and evaluate potential ERP platforms. They will also assist us with refining our estimates for costs and timelines. Working with an advisory firm ensures the City follows industry best practices and positions the project for long-term success.

Estimated Investment and Timeline

Preliminary estimates indicate that the full ERP modernization initiative will require funding of approximately $15–$20 million over five years. We expect to refine this estimate over the next year as we complete the evaluation work with the advisory firm. This level of investment reflects the scale and complexity of replacing the City's human resources and financial management systems, as well as the introduction of new capabilities that do not exist in our current system. As with other major infrastructure improvements, this technology modernization is being planned as a capital investment, and the City anticipates bonding the cost of the new system over time.

Implementing a modern ERP is a multi-year, resource intensive undertaking that requires significant costs related to specialized implementation services from the software vendor and a thirdparty integrator. The project is also highly staff intensive, requiring substantial staff time across multiple departments to configure, test and validate the system. Because this work will occur in parallel with ongoing City operations, some departments may require temporary backfill to maintain continuity of normal business activities during implementation. Other implementation costs in include organization wide training and change management support.

The expected timeline, which includes planning, procurement, and phased implementation, is currently estimated at 5 years, with additional details to be developed as the advisory assessment progresses. Given the scale and complexity of the project, the City is planning for a two-phase implementation:

Phase 1: Human Capital Management (HCM): Includes payroll, human resources, and benefits administration.

Phase 2: Financial Management: Includes general ledger, procurement, accounts receivable, and accounts payable.

This sequencing allows the City to build readiness, reduce risk and minimize disruption to normal operations, allowing us to transition systems in a controlled, thoughtful manner.

Early Step Toward Financial Modernization: Accounts Payable Automation

Although the financial management system will be replaced in phase two, the City is already taking an important early step by implementing workflow automation software, Nimbello AP Automation**,** to improve our vendor payment processes. This solution will reduce paper-based invoice handling by automating invoice capture, routing and the approvals workflow. This early modernization effort delivers immediate operational benefits and gives staff experience with modern automation tools before the larger ERP rollout.

Conclusion

Modernizing the City's ERP system represents a significant but necessary capital investment in modern technology to ensure that our core administrative systems can meet current and future needs. By taking a phased and deliberate approach, the City is positioning itself to improve efficiency, strengthen financial and operational oversight, and better support employees in delivering services to residents. As this work progresses, we will continue to refine scope, costs, and timelines and will keep the City Council informed at key milestones.