

**JOINT MEETING OF THE AUDIT COMMITTEE OF
THE NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY
AND
NEW YORK CITY WATER BOARD**

A meeting of the Joint Audit Committee (the Committee”) of the Board of Directors of the New York City Municipal Water Finance Authority (the “Authority”) and the New York City Water Board (the “Water Board”) was held at 255 Greenwich Street, Room 6M4, New York, N.Y. 10007 at 9:30 a.m. on January 18, 2013.

The following members of the Committee were present:

Max Von Hollweg;

Alfonso Carney;

Robert Elburn (by designation of Authority Director Joseph Martens);

Marc Shaw; and

Benjamin Tisdell;

constituting a quorum of the Committee. Mr. Von Hollweg chaired the meeting, and Albert F. Moncure, Jr., served as Secretary of the meeting.

Approval of Minutes of Meeting of October 10, 2012

The first item on the agenda was approval of the minutes of the meeting of October 10, 2012. There being no discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, The Audit Committee has reviewed the minutes of its meeting held on October 10, 2012; it is therefore

RESOLVED, that the minutes of the meeting of October 10, 2012, be, and they hereby are, approved.

Review and Acceptance of Management Letter

The next item on the agenda was the review and acceptance of the Management Letter prepared by the System's independent auditors, Deloitte & Touche, relating to the Financial Statements of the Water and Sewer System which is filed with the Minutes of the meeting.

Authority Comptroller, Michele Levine, acknowledged that the Management Letter described two previously identified material weaknesses which have not yet been corrected: the first relating to the reconciliation of construction work in progress ("CWIP") with the application of bond proceeds and the second relating to the inability of DEP's Customer Information System ("CIS") to properly age accounts receivable.

Ms. Levine said that DEP is in the process of implementing the recommendations of its outside consultant, KPMG, in order to remediate the first material weakness on a going forward basis with a target implementation date in Fiscal Year 2014.

She said enhancements to the existing CIS system are still in progress and have not yet become operational. However, the implementation of DEP's Automated Meter Reading system has resulted in fewer estimated bills which must subsequently be cancelled and reissued thereby mitigating the impact of the second material weakness.

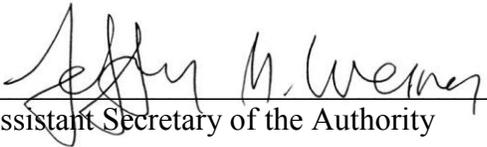
Deloitte & Touche partner, Glenn Friedrich, confirmed Ms. Levine's description of the material weaknesses identified in the Management Letter and said that Deloitte & Touche is satisfied with management's response.

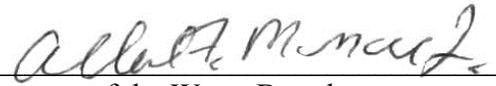
Discussion ensued among Mr. Carney, Mr. Tisdell, Ms. Levine and Mr. Friedrich. In response to comments from Mr. Carney and Mr. Tisdell, Ms. Levine assured the Committee that bond proceeds are being properly applied. Responding to Mr. Carney, Mr. Friedrich said that Deloitte & Touche is not consulting with the Authority regarding implementation of the

CWIP remediation because the provision of consulting services by Deloitte & Touche would conflict with its role as an independent auditor of the System's Financial Statements.

Adjournment

There being no further business to come before the Committee, upon motion duly made and seconded, the meeting was duly adjourned.


Assistant Secretary of the Authority


Secretary of the Water Board