

**MEETING OF THE JOINT 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 was held at 75 Park Place, Room 6M4, New York, N.Y. at 1:45 p.m. on January 19, 2012.

The following Committee members were present:

Alan Anders (by designation of Authority Director Mark Page);

Marc Shaw;

Alfonso Carney;

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

Benjamin Tisdell; and

Max Von Hollweg,

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

Approval of Minutes of Meeting of October 7, 2011

The first item on the agenda was approval of the minutes of the Committee’s meeting of October 7, 2011. 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 the meeting held on October 7, 2011; it is therefore

RESOLVED, that the minutes of the meeting of October 7, 2011 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.

Deloitte & Touche partner, David Jones, led the Committee in a discussion of the System's Management letter which is filed with the Minutes of the meeting. He described a material weakness relating to reconciliation of construction work in progress, which Authority Comptroller, Michele Levine, said is being remediated with the assistance of outside consultant KPMG LLP. Mr. Jones also described a previously identified material weakness relating to the inability of DEP's Customer Information System ("CIS") to properly age accounts receivable. DEP Deputy Commissioner Joseph Singleton explained that a vendor is now working to enhance the current CIS to resolve this issue. Responding to a question from Mr. Carney, Ms. Levine said that management is able to produce useful reports despite this weakness. Mr. Carney said he hoped the weakness would be corrected by June 2012.

Evaluation of Independent Auditors and Recommendation to Extend Contract

The next item on the agenda was the annual evaluation of the Independent Auditors, Deloitte & Touche LLP, ("Deloitte") and recommendation to the Board of Directors to extend the Contract of Deloitte for two years. Ms. Levine said that management is satisfied with Deloitte's performance as Independent Auditor. Discussion ensued. There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Joint Audit Committee of the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Water Board") is authorized, under the Audit Committee Charter, to recommend to the Board of

Directors of the Authority and the members of the Water Board the appointment and retention of independent auditors for the water and sewer system of the City of New York (the "System"); and

WHEREAS, the Authority and the Water Board, following a competitive RFP process in 2008, previously retained the firm of Deloitte & Touche LLP to serve as independent auditors for the System's financial statements for the fiscal years ending on June 30, 2008 through June 30, 2011, and were satisfied with the quality of its performance; and

WHEREAS, the Authority's Policy on the Procurement of Goods and Services requires contracts for goods and services, the value of which is \$7,500 or more, be awarded on a competitive basis to the maximum extent possible, but allows a waiver of this requirement where continuation of existing services is desirable for purposes of continuity or compatibility; and

WHEREAS, Deloitte & Touche LLP is the auditor for the City of New York (the "City"), and the audit of the System requires close coordination with the audit of the City; and

WHEREAS, the Authority's staff has determined that extending the contract of Deloitte & Touche LLP for two years is desirable for purposes of continuity and compatibility, including the coordination of the audit of the System with the City's audit; and

WHEREAS, pursuant to the Audit Committee Charter, the Audit Committee has evaluated the recommended selection of Deloitte & Touche LLP as independent auditor; it is hereby

RESOLVED, that the Audit Committee finds the selection of Deloitte & Touche LLP to be satisfactory; and

FURTHER RESOLVED, that the Audit Committee recommends that the Board of the Authority and the Water Board authorize the management of the Authority and the Water Board to extend their contract and sign engagement letters with Deloitte & Touche LLP as the independent auditors for the System's financial statements for the fiscal years ending June 30, 2012 and June 30, 2013, for the fees listed in Schedule I, as well as any other documents necessary to effectuate the continued retention of the independent auditors.

Schedule I

Fees:

Deloitte's fixed fees, inclusive of out-of-pocket expenses, for the years ending June 30 of the following fiscal years are as follows:

Fiscal 2012	\$265,000
Fiscal 2013	\$275,000

For work performed in connection with the request by The New York City Municipal Water Finance Authority to issue a consent to the inclusion of the System's financial statements in an offering document, Deloitte will be paid at the hourly rates listed below. Such hourly rates will be subject to a maximum cap of \$25,000 per offering document.

Hourly Rates:

Deloitte's hourly rates, inclusive of all out-of-pocket expenses, for special projects authorized in writing by the System will be paid on the following basis for the years ending June 30 of the following fiscal years:

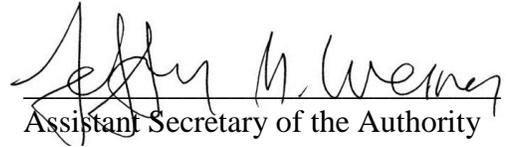
Position	Fiscal 2012	Fiscal 2013
Partner	\$370	\$370
Senior Manager	\$300	\$300
Manager	\$250	\$250
Senior	\$170	\$170
Semi-Senior	\$140	\$140
Assistant	\$130	\$130

Annual Review of Internal Controls Policy

The next item on the agenda was the Annual Review of the Policy on Internal Controls. Ms. Levine described the Policy and said that management proposes no changes. A brief discussion ensued.

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