

**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 October 10, 2012.

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 May 4, 2012

The first item on the agenda was approval of the minutes of the meeting of May 4, 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 May 4, 2012; it is therefore

RESOLVED, that the minutes of the meeting of May 4, 2012 be, and they hereby are, approved

Annual Review and Approval of the Audit Committee Charter

The next item on the agenda was the annual review and approval of the Audit Committee Charter. Mr. Von Hollweg said no changes to the existing Charter are proposed. There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Joint Audit Committee Charter was adopted by the New York City Water Board (the “Water Board”) on January 28, 2008 and by the Board of Directors of the New York City Municipal Water Finance Authority (the “Authority”) on February 4, 2008 and amended on October 7, 2009 by the Authority and October 30, 2009 by the Water Board; and

WHEREAS, pursuant to the Joint Audit Committee Charter, section III(s), the Joint Audit Committee of the Water Board and the Authority is required annually to review the Audit Committee Charter, reassess its adequacy, and recommend any proposed changes to the Authority and the Water Board; and

WHEREAS, the Audit Committee has reviewed the Audit Committee Charter, as attached hereto, and finds it to be reasonable and appropriate; it is hereby

RESOLVED, that the Audit Committee hereby approves the Audit Committee Charter as adopted and attached hereto.¹

Review Audit Committee Schedule of Dates

A schedule of the Committee’s activities for the ensuing year was distributed to members of the Committee.

Presentation by Management and Independent Auditors Regarding the Audited Annual Financial Statements of the System.

The next item on the agenda was a presentation by the Authority’s management and independent auditors relating to the System’s Fiscal Year 2012 and 2011 financial statements which had been distributed to the Committee. The Authority’s Comptroller, Michele

¹ Filed with Minutes of the meeting.

Levine, presented an overview of the financial statements. She noted that operating revenues have increased in Fiscal Year 2012 by 5 ½% which is attributable to the 7% increase in Water and Sewer rates. Operating expenses for the same period have decreased due to a reduction in pollution control costs. She also discussed the recognition of \$56 million in “catch-up” depreciation attributable to certain assets not having been previously depreciated.

Deloitte and Touche partner, Glenn Friedrich, described the scope of review of the financial statements by Deloitte and Touche, the Authority’s independent auditors. He noted that a management letter prepared by Deloitte & Touche will be forthcoming.

Audit Committee Meets with Independent Auditors

Mr. Von Hollweg recited the following statement on the importance of executive session to allow time for the Committee to discuss concerns with the independent auditors:

“Executive sessions are very strongly recommended by the Government Finance Officers Association and the American Institute of Certified Public Accountants. Executive session will allow the auditors to meet privately with Committee members to express any concerns about management and allow Committee members to ask questions about and/or express any concerns we may have. If any material areas of concern that are appropriate for public meetings are raised in executive session, the Committee will bring them to the attention of the full Boards in order that they may be addressed appropriately in accordance with laws and procedures governing the Authority and Board.”

Upon motion duly made and seconded, the Committee resolved to convene in Executive Session to meet with the independent auditors.

Recommendation to the Authority Board of Directors and Water Board of the acceptance of the independent auditors’ report on the audited financial statements of the System for the Fiscal Years ended June 30, 2012 and June 30, 2011, and the issuance of such financial statements.

Following Executive Session, the Committee reconvened in open session without having taken any action in Executive Session. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

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”) has met with the independent auditors of the water and sewer system of the City of New York (the “System”) and has reviewed the independent auditors’ report on the audited financial statements of the Authority for the fiscal years ended June 30, 2012 and June 30, 2011 and such financial statements, as submitted to the Committee; and

WHEREAS, the Joint Audit Committee believes the independent auditors’ report and the financial statements are reasonable and appropriate; it is therefore

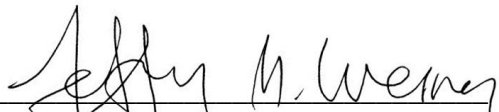
RESOLVED, that the Joint Audit Committee recommends to the Board of Directors of the Authority and the Water Board the acceptance of the independent auditors’ report and the authorization of the release of the audited financial statements of the System for the fiscal years ended June 30, 2012 and June 30, 2011; provided that both the independent auditors’ report and the audited financial statements may be amended to reflect non-material changes acceptable to the Comptroller of the Authority.

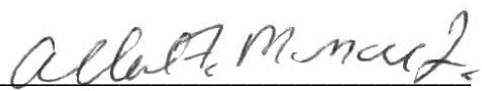
Distribution of KPMG Construction Work in Progress Assessment

The KPMG Construction work in Progress Assessment was distributed to members of the Committee for their information and will be filed with minutes of the meeting. Ms. Levine briefly described the assessment.

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