

**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 75 Park Place, Room 6M4, New York, N.Y. 10007 at 11:15 a.m. on October 7, 2011.

The following Directors were present:

Alfonso Carney;

Donald Capoccia;

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

Marc Shaw; and

Benjamin Tisdell;

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

Election of Marc Shaw as Acting Chair

Upon motion duly made and seconded, the Committee voted unanimously to elect Marc Shaw as Acting Chair to preside in the absence of Committee Chair, Peter Kenny, who recently passed away.

Approval of Minutes of Meeting of May 31, 2011

The next item on the agenda was approval of the minutes of the meeting of May 31, 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 its meeting held on May 31, 2011; it is therefore

RESOLVED, that the minutes of the meeting of May 31, 2011 be, and they hereby are, approved.

Annual Review and Approval of the Audit Committee Charter and Schedule

The next item on the agenda was the annual review and approval of the Audit Committee Charter and Committee Schedule. Mr. Shaw said no changes to the existing Charter are proposed. A schedule of the committee's activities for the ensuing year was distributed to members of the Committee. There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the 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 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,¹ and the Audit Committee Schedule², 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 and Audit Committee Schedule as adopted and attached hereto.

¹ Filed with Minutes of the Meeting.

² Filed with Minutes of the Meeting.

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 2011 and 2010 financial statements which had been distributed to the Committee. The Authority's Comptroller, Michele Levine, presented an overview of the financial statements. She discussed the Statement of Net Assets noting there is a negative net asset balance. The System's liabilities exceed its assets because some of the Authority's bonds are used to fund items which are not assets under generally accepted accounting principles such as certain costs of complying with the System's Filtration Avoidance Determination.

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. Shaw 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 the 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, 2011 and June 30, 2010, 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, 2011 and June 30, 2010 and such financial statements, as submitted to the Committee; and

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

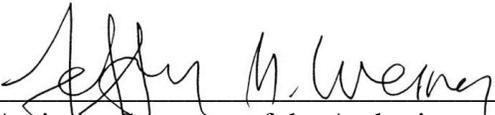
RESOLVED, that the joint Audit Committee recommends to the Board of Directors of the Authority and the Water Board the acceptance of the independent auditors' report and the authorization of the release of the audited financial statements of the System for the fiscal years ended June 30, 2011 and June 30, 2010; 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 Net Asset and Fund Balance Policy

The Net Asset and Fund Balance Policy was distributed to the Directors for their information and will be filed with minutes of the meeting.

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