

**MINUTES OF A SPECIAL MEETING
OF THE NEW YORK CITY WATER BOARD**

A Special Meeting of the New York City Water Board (the “Board”) was held on October 10, 2008 at 1:30 p.m. at the Water Board Office in the Municipal Water Building, One Centre Street, Room 1019, New York, New York. The following members of the Board were present:

Alan M. Moss;

Donald A. Capoccia;

Dawn S. Davis;

Amaziah Howell;

Marilyn Gelber; and

Maria Santos Valentin

constituting a quorum. Mr. Moss chaired the meeting and Olivia A. O’Neill served as Secretary of the Meeting.

Adoption of Minutes

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on September 12, 2008. There being no discussion, upon motion duly made and seconded, the minutes of the Board’s meeting held September 12, 2008 were unanimously adopted.

Approval of Fiscal Year 2008 Audited Financial Statements

The next item on the agenda was approval of the Fiscal Year 2008 Audited Financial Statements (the “Audited Financial Statements”) of the New York City Water Finance

Authority and the Board, which collectively comprise the New York City Water and Sewer System (the “System”), a component unit of the City of New York, New York.

Discussion

Mr. Kusterbeck noted that the Audited Financial Statements were prepared on an accrual basis. He also noted that in their report, Deloitte Touche had found nothing untoward, although he did note that they had mentioned several on-going issues with respect to fixed asset accounting and accounts receivable. It was noted that the Authority currently anticipates issuing a series of bonds at the end of October, and that the Preliminary Official Statement for that bond issue would include the Audited Financial Statements approved today. In connection with that bond issue, the current credit market volatility was discussed. Mr. Paolicelli noted that he is in constant contact with the System’s underwriters and financial advisors and they are watching financial market developments. He indicated that NYW hoped to sell several hundred million dollars in new money bonds at the end of the month, depending, of course, on market access and conditions.

Mr. Schulz of the City Planning Commission requested a copy of the Audited Financial Statements.

There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the New York City Water Board (the “Board”) and the New York City Municipal Finance Authority (the “Authority”) established an Audit Committee pursuant to the requirements of the Public Authorities Accountability Act of 2005; and

WHEREAS, in light of the joint role of the Board and the Authority in the financial operations of the water and wastewater system of the City of New York (the “System”), a Joint Audit

Committee was established on January 25, 2008, comprising representatives of both the Board and the Authority; and

WHEREAS, pursuant to the Joint Audit Committee Charter and the Board resolution of January 25, 2008 establishing the Joint Audit Committee, the Board and the Authority each acting separately, after receiving a recommendation from the Joint Audit Committee, shall annually approve the audited financial statements of the System; and

WHEREAS, the Joint Audit Committee believes the independent auditors' report and the financial statements are reasonable and appropriate and has recommended that the Water Board and the Authority accept the independent auditors' report and authorize the release of the financial statements; and

WHEREAS, the Board of Directors of the Authority approved the independent auditors' report and authorized the release of the financial statements on October 7, 2008 contingent on their approval by the Water Board; it is therefore

RESOLVED, that the Board hereby accepts the independent auditors' report on the audited financial statements of the System for the fiscal years ended June 30, 2007 and June 30, 2008¹ and authorizes the release of such audited financial statements, 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.

Fiscal Year 2009 Year-to-Date Collection Results

Fiscal Year 2009 Year-to-Date Collection results were discussed. Collections for September were exactly on the plan target amounts, but that July/August combined were slightly below plan by 1.7%, falling \$13 million short of an expectation of \$790 million. Through September, the cumulative shortfall is 1.4% of plan. The short fall was attributed to the fact that the collection plan targets for July/August failed to account for the transition of 3,000 accounts from flat rate to metered billing.

¹ Filed with the Minutes of the Meeting.

It was noted that capital projects had previously been financed by means of short-term commercial paper, which was then refunded. Proceeds of the next bond issue are expected to be returned to the City to pay capital costs.

Departure of Commissioner Lloyd

Mr. Moss stated that Commissioner Emily Lloyd had announced her resignation from the Department of Environmental Protection, effective at the end of October. She will become the chief operating officer for Trinity Church's real estate operations. Mr. Moss strongly commended and praised her contribution and outstanding public service; others present at the meeting concurred.

Next Meeting

Mr. Moss stated that the scheduled meeting in October 24 would not occur; the next meeting is planned for November 17. He noted that the Board would want an update at that time on financial information for the third quarter of Fiscal Year 2009.

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

Secretary