

NEW ISSUE

In the opinion of Nixon Peabody LLP, Bond Counsel to the Authority, under existing law, and assuming compliance with the tax covenants described herein, interest on the Fiscal 2001 B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is of the opinion that interest on the Fiscal 2001 B Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that under existing law, interest on the Fiscal 2001 B Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York, as described more fully herein. See, however, "TAX EXEMPTION" herein regarding certain other tax considerations.

\$68,675,000
New York City
Municipal Water Finance Authority
Water and Sewer System Revenue Bonds,
Fiscal 2001 Series B

Dated: Date of Delivery**Due: June 15, as shown below**

The Fiscal 2001 B Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Fiscal 2001 B Bonds. Purchases of beneficial interests in such Fiscal 2001 B Bonds will be made in book-entry only form. Purchasers will not receive certificates representing their ownership interest in the Fiscal 2001 B Bonds purchased by them. See "BOOK-ENTRY ONLY FORM" herein.

Interest on the Fiscal 2001 B Bonds will accrue from their date of delivery and will be payable semiannually on each June 15th and December 15th commencing June 15, 2001. The Fiscal 2001 B Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof. The Fiscal 2001 B Bonds are subject to redemption prior to maturity as described herein. The proceeds of the Fiscal 2001 B Bonds are expected to be applied (i) to refund a portion of the Authority's Outstanding Water and Sewer Revenue Bonds and (ii) to pay certain costs of issuance.

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2002	\$ 135,000	4 ¾%	4.28%	2012	\$ 210,000	5%	4.80%*
2003	140,000	4 ½	4.32	2013	220,000	5	4.90*
2004	145,000	4 ¼	4.36	2014	235,000	5	4.99*
2005	155,000	4 ½	4.40	2015	245,000	5	5.06
2006	160,000	4 ¼	4.43	2016	255,000	5	5.11
2007	165,000	4 ½	4.46	2017	270,000	5 1/8	5.16
2008	175,000	4 ¼	4.51	2018	285,000	5 1/8	5.21
2009	185,000	4 ¾	4.56	2019	295,000	5 1/8	5.26
2010	190,000	5	4.60	2020	315,000	5 1/8	5.30
2011	200,000	5	4.70				

\$64,695,000 5-1/8% Fiscal 2001 B Term Bonds due June 15, 2031 Yield 5.41%

* Priced to the stated yield to the June 15, 2011 optional redemption date at a redemption price of 100%.

The Fiscal 2001 B Bonds are special obligations of the Authority, payable solely from and secured by a pledge of and first lien on the gross revenues of the System. The Authority has no taxing power. The Fiscal 2001 B Bonds are not a debt of the State of New York, The City of New York or the New York City Water Board and neither the State of New York, The City of New York nor the New York City Water Board is liable on the Fiscal 2001 B Bonds.

The Fiscal 2001 B Bonds are offered when, as and if issued by the Authority and received by the Underwriters and subject to the approval of legality by Nixon Peabody LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Willkie Farr & Gallagher, New York, New York. It is anticipated that the Fiscal 2001 B Bonds will be available for delivery in New York, New York, on or about December 19, 2000.

First Albany Corporation**Merrill Lynch & Co.****PaineWebber Incorporated****Bear, Stearns & Co. Inc.****Dain Rauscher Inc.****Goldman, Sachs & Co.****Lehman Brothers****J.P. Morgan & Co.****Morgan Stanley Dean Witter**
Morgan Stanley & Co. Incorporated**Salomon Smith Barney****William E. Simon & Sons**
Municipal Securities, Inc.**Fleet Securities, Inc.**
December 8, 2000**David Lerner Associates Inc.****Roosevelt & Cross Incorporated**

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Fiscal 2001 B Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of any of the Fiscal 2001 B Bonds and if given or made, such information or representation must not be relied upon. Information contained on the Authority's web page, or any other web page on the City's web site, is not a part of this Official Statement. Neither the delivery of this Official Statement nor the sale of any of the Fiscal 2001 B Bonds implies that there has been no change in the affairs of the Authority, the Board or the City or the other matters described herein since the date hereof.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE FISCAL 2001 B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT
\$68,675,000
New York City Municipal Water Finance Authority
Water and Sewer System Revenue Bonds,
Fiscal 2001 Series B

INTRODUCTORY STATEMENT

The purpose of this Official Statement is to set forth certain information pertaining to the New York City Municipal Water Finance Authority (the "Authority"), a public benefit corporation duly created and existing under the New York City Municipal Water Finance Authority Act, as amended (the "Act"); the New York City Water Board (the "Board"), a public benefit corporation created and existing under Chapter 515 of the Laws of 1984, both of which laws were enacted by the Legislature of the State of New York (the "State"); and the Authority's \$68,675,000 Water and Sewer System Revenue Bonds, Fiscal 2001 Series B (the "Fiscal 2001 B Bonds"). Capitalized terms used in this Official Statement and not defined herein shall have the meanings ascribed thereto in "APPENDIX C—GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS" to the Official Statement of the Authority dated November 21, 2000 prepared in connection with the issuance by the Authority of its Water and Sewer System Revenue Bonds, Fiscal 2001 Series A (the "Series A Official Statement"), portions of which are incorporated herein by reference, as described below. *This Official Statement is not complete unless read in conjunction with the information from the Series A Official Statement incorporated herein by reference.* See "INCLUSION BY SPECIFIC REFERENCE."

Pursuant to a lease agreement (the "Lease") between the Board and The City of New York (the "City"), dated as of July 1, 1985, as amended, the Board has leased from the City its facilities for the collection, transmission and distribution of water (the "Water System") and its facilities for the collection, treatment and disposal of sewage (the "Sewer System") (collectively, the "System"). As required by the Act and the Lease, the System is operated and maintained by the Department of Environmental Protection of the City ("DEP"). The Board has also entered into a financing agreement, dated as of July 1, 1985, as amended (the "Agreement"), with the Authority and the City for the financing of capital improvements to the System through the issuance of bonds, notes and other obligations (the "Bonds") under its Water and Sewer System General Revenue Bond Resolution adopted on November 14, 1985, as amended (the "Resolution") or subordinate obligations of the Authority under its Second Resolution (defined below). Pursuant to the Lease and the Agreement, the Board has agreed to cause rates, fees and charges to be collected.

The Fiscal 2001 B Bonds will be issued by the Authority pursuant to the Resolution, and its Forty-fifth Supplemental Resolution adopted on December 8, 2000 (the "Supplemental Resolution"). The Resolution and the Supplemental Resolution are collectively referred to herein as the "Resolutions." United States Trust Company of New York serves as trustee under the Resolutions (in such capacity, the "Trustee") and will continue to serve as Trustee until a successor is appointed by the Bondholders in accordance with the Resolutions. The Authority has issued subordinate revenue bonds (the "Second Resolution Bonds") pursuant to its Water and

Sewer System Second General Revenue Bond Resolution adopted on March 30, 1994, as amended (the "Second Resolution").

The Bonds are special obligations of the Authority, payable solely from and secured by a pledge of the Revenues, all moneys or securities in any of the funds and accounts established under the Resolution, including the Debt Service Reserve Fund, and all other moneys and securities to be received, held or set aside pursuant to the Resolution, subject only to provisions of the Resolution and the Agreement relating to the use and application thereof. The Board has covenanted in the Agreement to maintain rates, fees and charges at sufficient levels to produce in each twelve month period beginning on July 1 (a "Fiscal Year") an amount equal to 115% of the Aggregate Debt Service and Projected Debt Service on the Bonds (excluding Refundable Principal Installments for the payment of which funds are held in trust) to become due in such Fiscal Year on Bonds, plus 100% of the operation and maintenance expenses of the System certified by the City and of Required Deposits (which includes the debt service on the Second Resolution Bonds and other subordinate debt) to the extent required to be paid from Revenues. The Agreement requires a report of the Rate Consultant setting forth its recommendations as to any revisions of the rates, fees and charges necessary or advisable to meet the requirements of the rate covenant. See "SECURITY FOR THE BONDS - Rate Covenant" in the Series A Official Statement. The Agreement also requires a Consulting Engineer to review the operation and maintenance of the System, and further requires the City to operate and maintain the System in accordance with the advice and recommendations of the Consulting Engineer. See "SECURITY FOR THE BONDS" in the Series A Official Statement.

Rates, fees and charges are imposed by the Board and are not subject to regulatory approval nor are they subject to other regulations under current law except for the rates charged to a limited class of upstate users, representing less than 1% of Revenues, or as required by certain Federal grants. See "THE SYSTEM—Governmental Regulation" and "RATES AND BILLINGS" in the Series A Official Statement.

The estimates and projections contained or incorporated by reference into this Official Statement are based on, among other factors, evaluations of historical revenue and expenditure data and analyses of economic trends affecting the Authority's finances. The financial projections contained herein or incorporated by reference are subject to certain contingencies that cannot be quantified and are subject to the uncertainties inherent in any attempt to predict the results of future operations. Accordingly, such projections are subject to periodic revision which may involve substantial change. Consequently, the Authority makes no representation or warranty that these estimates and projections will be realized.

The Authority has relied upon the authority of Metcalf & Eddy of New York, Inc. ("Metcalf & Eddy") for certain engineering feasibility information and upon the authority of Black & Veatch, LLP ("Black & Veatch") for certain financial estimates and projections. See "ENGINEERING FEASIBILITY REPORT AND FORECASTED CASH FLOWS" in the Series A Official Statement.

PLAN OF FINANCE

A portion of the proceeds of the Fiscal 2001 B Bonds are expected to be applied to the refunding of \$60,000,000 principal amount of the Authority's Water and Sewer Revenue Bonds, Fiscal 2000 Series B, maturing June 15, 2031 (the "Refunded Bonds"). Pursuant to an Escrow Agreement between the Authority and the United States Trust Company of New York (the "Escrow Trustee"), the Authority will irrevocably deposit cash and Defeasance Obligations in trust with the Escrow Trustee. The Defeasance Obligations will bear interest at such rates and will mature at such times and in such amounts so that, together with any uninvested cash held by the Escrow Trustee, sufficient moneys will be available to make full and timely payment of the maturing principal and Sinking Fund Installments of and redemption premium and interest on, the Refunded Bonds to their earliest optional redemption date. Upon such irrevocable deposit, the Refunded Bonds will no longer be deemed to be Outstanding and will no longer be entitled to the benefit of the pledge and lien established by the Resolution, or to payment from Revenues of the System. The Authority will direct the Trustee to redeem the Refunded Bonds on June 15, 2010 at the redemption price of 101% of par.

INCLUSION BY SPECIFIC REFERENCE

Portions of the Authority's November 21, 2000 Official Statement relating to the Authority's Water and Sewer System Revenue Bonds Fiscal 2001 Series A (the "Series A Official Statement") subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

Security for the Bonds
Amendments to the Resolution
The Authority
The Board
The Department of Environmental Protection
Capital Improvement and Financing Program¹
Financial Operations
Rates and Billing
The System
Economic, Social and Demographic Statistics
Litigation
Financial Advisors
Investments
Legality for Investment and Deposit
Financial Statements
Engineering Feasibility Report and Forecasted Cash Flows
Certain Legal Opinions
Appendix A – Letter of Metcalf & Eddy of New York, Inc., Consulting Engineers

¹Other than the information under the captions "Financing Program" and "Debt Service Requirements."

Appendix B – Letter of Black & Veatch, LLP, Rate Consultants
Appendix C – Glossary and Summary of Certain Documents
Appendix D – Financial Statements

Any reference to the Fiscal 2001 A Bonds in the information incorporated herein by reference shall be read to be a reference to the Fiscal 2001 B Bonds unless the context thereof clearly indicates that such information is only applicable to the Fiscal 2001 A Bonds.

Descriptions of the Authority, the Board, the System and the CIP together with other information including summaries of the terms of the Resolution, the Agreement and the Lease are set forth in the Series A Official Statement. All references herein to the Resolution, the Agreement and the Lease are qualified by reference to such documents in their entirety, copies of which are available from the Authority. All references to the Fiscal 2001 B Bonds are qualified in their entirety by reference to the definitive bond forms, and the terms and provisions thereof contained in the Resolutions.

THE FISCAL 2001 B BONDS

General

The Fiscal 2001 B Bonds initially delivered to the Underwriters will be dated their date of delivery. The Fiscal 2001 B Bonds will mature on and bear interest payable on the dates and at the rates shown on the cover of the Official Statement.

Principal, redemption premium, if any, and interest on the Fiscal 2001 B Bonds will be payable in lawful money of the United States of America. The Fiscal 2001 B Bonds will be issued only as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof.

Book-Entry Only

The Fiscal 2001 B Bonds will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), which will act as securities depository for the Fiscal 2001 B Bonds. Purchases of beneficial interests in such Fiscal 2001 B Bonds will be made in book-entry-only form. Purchasers will not receive certificates representing the ownership interest in the Fiscal 2001 B Bonds purchased by them. See “BOOK-ENTRY ONLY FORM” herein.

Redemption of Fiscal 2001 B Bonds

Sinking Fund Redemption. The Fiscal 2001 B Bonds due June 15, 2031, are subject to mandatory redemption prior to maturity in part, by lot, in such manner as the Trustee may reasonably determine, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date, on June 15 in each of the years and in the respective principal amounts, as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 330,000
2022	345,000
2023	365,000
2024	380,000
2025	400,000
2026	420,000
2027	445,000
2028	465,000
2029	490,000
2030	515,000
2031*	60,540,000

* Final Maturity

Purchased Bonds. The Authority may from time to time direct the Trustee to purchase Fiscal 2001 B bonds with moneys in the Debt Service Fund, at a price not greater than par, plus accrued interest to the date of such purchase, and apply such Fiscal 2001 B Bond so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of a required Sinking Fund Installment on the Fiscal 2001 B Bond of the same maturity. Any excess of the amounts so credited over the amount of a Sinking Fund Installment for a Series of Bonds will be credited against future Sinking Fund Installments. To the extent that the Authority's obligation to make Sinking Fund Installments in a particular year and for a particular Series of Bonds is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Fiscal 2001 B Bonds of the maturity so purchased will be reduced for such year.

Optional Redemption. The Fiscal 2001 B Bonds maturing on or after June 15, 2011 are subject to redemption prior to maturity at the option of the Authority from any moneys available therefore on and after June 15, 2010 in whole at any time or in part on any interest payment date, by lot at the redemption prices (expressed as percentages of the principal amount of such Fiscal 2001 B Bonds to be redeemed) set forth below plus accrued interest to the redemption date.

<u>Redemption period</u> <u>(both dates inclusive)</u>	<u>Optional</u> <u>Redemption Prices</u>
June 15, 2010 to June 14, 2011	101%
June 15, 2011 and thereafter	100

Notice of Redemption

Notice of redemption is to be given by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption, to the registered owners of Fiscal 2001 B Bonds to be redeemed at their addresses shown on the books of registry. So long as Cede & Co., as nominee of DTC, is the registered owner of the Fiscal 2001 B Bonds, notice of redemption is to be sent to DTC. No assurance can be given by the Authority that DTC and DTC participants will promptly transmit notices of redemption to Beneficial Owners.

If, on any redemption date, moneys for the redemption of the Fiscal 2001 B Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available therefor on such date, and if notice of redemption has been mailed, then interest on the Fiscal 2001 B Bonds to be redeemed will cease to accrue from and after the redemption date and such Fiscal 2001 B Bonds will no longer be considered to be Outstanding under the Resolution.

USE OF PROCEEDS

It is anticipated that the proceeds of the Fiscal 2001 B Bonds will be applied in the following manner:

Deposit to Escrow Fund.....	\$65,355,092.57
Original Issue Discount.....	\$2,737,331.30
Costs of Issuance.....	\$170,486.24
Underwriter's Discount	<u>\$412,089.89</u>
Total Uses of Proceeds.....	<u>\$68,675,000.00</u>

BOOK-ENTRY ONLY FORM

DTC will act as securities depository for the Fiscal 2001 B Bonds. The Fiscal 2001 B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond certificate will be issued for each maturity of the Fiscal 2001 B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$400 million, one certificate will be issued with respect to each \$400 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such maturity.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its Participants deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Fiscal 2001 B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Fiscal 2001 B Bonds on DTC's records. The ownership interest of each actual purchaser of each Fiscal 2001 B Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial

Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Fiscal 2001 B Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Fiscal 2001 B Bonds, except in the event that use of the book-entry system for the Fiscal 2001 B Bonds is discontinued.

To facilitate subsequent transfers, all Fiscal 2001 B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of any series of bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of any Fiscal 2001 B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Fiscal 2001 B Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Fiscal 2001 B Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Fiscal 2001 B Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on a payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on a payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to, the Fiscal 2001 B Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this section "Book-Entry Only Form" has been extracted from information given by DTC. Neither the Authority, the Trustee nor any of the Underwriters makes any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereto.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

FINANCING PROGRAM

Prior Financing. Since the first issuance of bonds by the Authority in 1985, capital improvements to the System have been financed primarily with (1) proceeds of bonds sold directly to the public and privately placed with the New York State Environmental Facilities Corporation ("EFC") in connection with the revolving loan fund program described below, (2) federal and State capital grants, and (3) pay-as-you-go capital paid from System revenues. See "DEBT SERVICE REQUIREMENTS" below.

Future Financing. The Authority estimates that approximately 99% of the System's capital costs will be paid from proceeds of bonds and other forms of indebtedness sold to the public and privately placed with EFC and System revenues. For purposes of forecasting revenue requirements for the System, the principal amount of bonds estimated to be issued in each of the Fiscal Years 2001 through 2006 is approximately \$1.45 billion per year and the amounts of pay-as-you-to capital to be paid from System revenues are approximately \$40 million in each of Fiscal Years 2001 and 2002 and approximately \$20 million in Fiscal Year 2003. See the table entitled "Sources and Uses of Capital Funds" under "CAPITAL IMPROVEMENT AND FINANCING PROGRAM" in the Series A Official Statement.

Historically, federal grant funds were provided pursuant to the federal Water Pollution Control Act, as amended by the Clean Water Act of 1977 and by the Water Quality Act of 1987 (the "Clean Water Act"), in a program administered by the states, for construction and

reconstruction of wastewater treatment facilities. The City has used these grant funds for five sewage treatment plants: Oakwood Beach, Coney Island, Owls Head, Red Hook and North River. The Clean Water Act currently requires states to use federal funds in revolving loan programs in lieu of a federal grant program for wastewater treatment facilities. To this end, a revolving loan program has been established by the State and administered by EFC in order to utilize federal financial assistance together with State matching grants in a program to assist municipalities to construct eligible sewage facilities by providing subsidized loans. In addition, pursuant to the Safe Drinking Water Act Amendments of 1996, the State has also initiated a revolving loan program to provide loans for drinking water projects. The Authority has participated in loans under both of the revolving loan programs and anticipates further borrowing under the programs. Prior to the delivery of the Fiscal 2001 B Bonds, the Authority expects to receive the proceeds of a loan of approximately \$100 million granted by EFC pursuant to the Clean Water Act. See "THE SYSTEM—Governmental Regulation—Wastewater Regulation" in the Series A Official Statement. Implementation of the CIP is dependent upon the Authority's ability to market its securities successfully in the public credit markets. Sales of securities are subject to market conditions.

DEBT SERVICE REQUIREMENTS

The following schedule sets forth the amount required to be paid during each Fiscal Year ending June 30 shown below for the payment of the principal of and the interest (including the Accreted Value of all Capital Appreciation Bonds) on Bonds issued under the Authority General Resolution and the Authority Second Resolution after giving effect to the issuance of the Fiscal 2001 B Bonds. The schedule does not include debt service on any Commercial Paper Notes.

Fiscal Year Ending June 30	Outstanding Bonds Total Debt Service (1)	Fiscal 2001 B Bonds			Total Bonds Debt Service	Outstanding Second Resolution Bonds Total Debt Service (2)	Total Bonds and Second Resolution Bonds Debt Service (2)(3)
		Principal	Interest	Total			
2001.....	\$495,091,036	\$ 0	\$ 1,726,033	\$ 1,726,033	\$ 496,817,068	\$ 118,941,208	\$ 615,758,276
2002.....	500,507,996	135,000	3,510,575	3,645,575	504,153,571	134,882,186	639,035,757
2003.....	503,294,031	140,000	3,504,163	3,644,163	506,938,194	133,069,640	640,007,834
2004.....	503,363,616	145,000	3,497,863	3,642,863	507,006,479	140,543,675	647,550,154
2005.....	508,598,335	155,000	3,491,338	3,646,338	512,244,673	150,304,917	662,549,590
2006.....	492,438,094	160,000	3,484,363	3,644,363	496,082,456	155,750,027	651,832,483
2007.....	494,197,174	165,000	3,477,163	3,642,163	497,839,337	158,786,145	656,625,482
2008.....	511,548,907	175,000	3,469,738	3,644,738	515,193,645	165,165,014	680,358,659
2009.....	513,700,334	185,000	3,461,863	3,646,863	517,347,196	168,589,148	685,936,345
2010.....	500,679,884	190,000	3,453,075	3,643,075	504,322,959	198,440,391	702,763,350
2011.....	489,850,031	200,000	3,443,575	3,643,575	493,493,606	220,195,085	713,688,691
2012.....	489,836,555	210,000	3,433,575	3,643,575	493,480,130	229,462,447	722,942,577
2013.....	497,741,862	220,000	3,423,075	3,643,075	501,384,937	217,392,535	718,777,472
2014.....	506,034,331	235,000	3,412,075	3,647,075	509,681,406	100,823,011	610,504,417
2015.....	541,108,413	245,000	3,400,325	3,645,325	544,753,738	78,456,384	623,210,121
2016.....	541,071,905	255,000	3,388,075	3,643,075	544,714,980	69,495,052	614,210,032
2017.....	540,789,263	270,000	3,375,325	3,645,325	544,434,588	60,724,434	605,159,022
2018.....	551,356,369	285,000	3,361,488	3,646,488	555,002,856	45,862,552	600,865,408
2019.....	549,985,844	295,000	3,346,881	3,641,881	553,627,725	38,213,052	591,840,777
2020.....	549,975,175	315,000	3,331,763	3,646,763	553,621,937	24,054,834	577,676,771
2021.....	549,960,138	330,000	3,315,619	3,645,619	553,605,756	4,659,760	558,265,516
2022.....	550,291,013	345,000	3,298,706	3,643,706	553,934,719	4,661,352	558,596,071
2023.....	549,815,538	365,000	3,281,025	3,646,025	553,461,563	0	553,461,563
2024.....	550,023,344	380,000	3,262,319	3,642,319	553,665,663	0	553,665,663
2025.....	548,869,013	400,000	3,242,844	3,642,844	552,511,856	0	552,511,856
2026.....	549,764,613	420,000	3,222,344	3,642,344	553,406,956	0	553,406,956
2027.....	452,826,488	445,000	3,200,819	3,645,819	456,472,306	0	456,472,306
2028.....	445,535,650	465,000	3,178,013	3,643,013	449,178,663	0	449,178,663
2029.....	445,538,725	490,000	3,154,181	3,644,181	449,182,906	0	449,182,906
2030.....	445,540,388	515,000	3,129,069	3,644,069	449,184,456	0	449,184,456
2031.....	316,078,825	60,540,000	3,102,675	63,642,675	379,721,500	0	379,721,500
2032.....	384,018,675	0	0	0	384,018,675	0	384,018,675
2033.....	384,017,525	0	0	0	384,017,525	0	384,017,525
Total(3)	\$16,453,449,085	\$68,675,000	\$102,379,939	\$171,054,939	\$16,624,504,024	\$2,618,472,849	\$19,242,976,873

- (1) Does not include debt service on the Refunded Bonds.
- (2) Net of anticipated capitalized interest, subsidy and surplus payment from EFC.
- (3) Totals may not add due to rounding.

FURTHER INFORMATION

The references herein and in the Series A Official Statement to and summaries of federal, State and local laws, including but not limited to the Code, the Constitution and laws of the State, the Act, the 1905 Act, the Clean Water Act, the SDWA, the Ban Act, the MPRSA, and documents, agreements and court decisions, including but not limited to the Lease, the Agreement, the Resolution and the Second Resolution are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions. Copies of the Lease, the Agreement, the Resolution and the Second Resolution are available for inspection during normal business hours at the office of the Authority.

Any statements in this Official Statement and the Series A Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. None of this Official Statement, the Series A Official Statement nor any statement which may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Fiscal 2001 B Bonds.

TAX EXEMPTION

General

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Fiscal 2001 B Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Fiscal 2001 B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Fiscal 2001 B Bonds. The Authority has covenanted in the Forty-fifth Supplemental Resolution to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Fiscal 2001 B Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, interest on the Fiscal 2001 B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Fiscal 2001 B Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Bond Counsel is also of the opinion that the interest on the Fiscal 2001 B Bonds is exempt, under existing law, from personal income tax of the State of New York and its political subdivisions, including The City of New York.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Fiscal 2001 B Bonds maturing on June 15, 2008 and June 15, 2015 through June 15, 2031, inclusive (collectively, the "Discount Bonds"), and the offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the 2001 Series B Bonds. Further, the original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of the accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

All of the Fiscal 2001 B Bonds maturing on June 15, 2002 through June 15, 2007, inclusive and June 15, 2009 through June 15, 2014, inclusive (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. Bond Counsel is of the opinion that an initial purchaser with an initial adjusted basis on a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Premium Bonds. Owners of Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning Premium Bonds.

Certain Federal Tax Information

General. The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Fiscal 2001 B Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Social Security and Railroad Retirement Payments. The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

Branch Profits Tax. The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds. The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain "qualified" obligations. The Fiscal 2001 B Bonds are not "qualified" obligations for this purpose.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

Earned Income Credit. For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds \$2,200, subject to adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the Fiscal 2001 B Bonds will constitute disqualified income for this purpose.

Changes in Federal Tax Law and Post Issuance Events. From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of the interest on the Fiscal 2001 B Bonds, and thus on the economic value of the Fiscal 2001 B Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Fiscal 2001 B Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Fiscal 2001 B Bonds may be proposed or enacted.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Fiscal 2001 B Bonds may affect the tax status of interest on the Fiscal 2001 B Bonds. Bond Counsel expresses no opinion as to any federal, State or local tax law consequences with respect to the Fiscal 2001 B Bonds, or the interest thereon, if any action is taken with respect to the Fiscal 2001 B Bonds or the proceeds thereof upon the advice or approval of other counsel.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

To the extent that Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission ("SEC") under the Securities and Exchange Act of 1934, as amended (the "1934 Act"), requires the Underwriters to determine, as a condition to purchasing the Fiscal 2001 B Bonds, that the Authority will covenant to the effect of the provisions here summarized (the "Undertaking"), and the Rule as so applied is authorized by a federal law that as so construed is within the powers of Congress, the Authority agrees with the record and beneficial owners from time to time of the Fiscal 2001 B Bonds ("Bondholders") that it will:

(1) within 240 days after the end of the 2001 Fiscal Year and each subsequent Fiscal Year, deliver to each nationally recognized municipal securities information repository and to any New York State information depository, core financial information and operating data for the prior Fiscal Year, including (i) the System's audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical financial and operating data concerning the System and the Revenues of the System generally of the type included in the Series A Official Statement under the captions "CAPITAL IMPROVEMENT AND FINANCING PROGRAM," "FINANCIAL OPERATIONS" and "RATES AND BILLING" and "THE SYSTEM" and

(2) provide in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to any New York State information depository, notice of any of the following events with respect to the Fiscal 2001 B Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) in the case of credit enhancement that is provided in connection with the issuance of the Fiscal 2001 B Bonds, unscheduled draws on such credit enhancement reflecting financial difficulties and substitution of credit providers, or their failure to perform;
- (d) unscheduled draws on debt service reserves reflecting financial difficulties;
- (e) adverse opinions or events affecting the exclusion from gross income for federal income tax purposes of interest on the Fiscal 2001 B Bonds;

- (f) modifications to rights of security holders;
- (g) bond calls;
- (h) defeasances;
- (i) release, substitution, or sale of property securing repayment of the securities;
- (j) rating changes; and
- (k) failure by the Authority to comply with clause (1) above.

The Authority expects to provide the information described in clause (1) above by delivering its first bond official statement that includes its financial statements for the preceding fiscal year.

Currently, there is no New York State information depository and the nationally recognized municipal securities information repositories are: Bloomberg Municipal Repository, P.O. Box 840, Princeton, New Jersey 08542-0840; Kenny Information Systems, Inc., 65 Broadway, 16th Floor, New York, New York 10006; Thompson NRMSIR, 395 Hudson Street, New York, New York 10004, and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07042.

No Bondholder may institute any suit, action or proceeding at law or in equity (“Proceeding”) for the enforcement of the Undertaking or for any remedy for breach thereof, unless such Bondholder has filed with the Authority evidence of ownership and a written notice of and request to cure such breach, and the Authority has not complied within a reasonable time; provided, however, that any Proceeding challenging the adequacy of any information provided pursuant to paragraphs (1) and (2) above may be brought only by the Trustee or the holders of a majority in aggregate principal amount of the Bonds affected thereby which at the time are Outstanding. All Proceedings may be instituted only as specified herein, in the Federal or State courts located in the Borough of Manhattan, State and City of New York, and for the equal benefit of all holders of the Outstanding Bonds benefited by the same or a substantially similar covenant. No remedy may be sought or granted other than specific performance of the covenant at issue.

Any amendment to the Undertaking will take effect only if:

- (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority or the Board, or type of business conducted; the Undertaking, as amended, would have complied with the requirements of the Rule at the time of sale of the Bonds to the Underwriters, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the Authority (such as, but without limitation, the Authority’s

financial advisor or bond counsel) and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the "impact" (as that word is used in the letter from the staff of the SEC to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the Undertaking, ceases to be in effect for any reason, and the Authority elects that the Undertaking will be deemed terminated or amended (as the case may be) accordingly.

For purposes of the Undertaking, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares investment power which includes the power to dispose, or to direct the disposition of, such security, subject to certain exceptions, as set forth in the Undertaking. Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request to the Authority described above.

RATINGS

It is expected that the Fiscal 2001 B Bonds will be rated "AA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., "AA" by Fitch, Inc. and "Aa3" by Moody's Investors Service. Such ratings reflect only the views of the respective rating agencies, from which an explanation of the significance of such ratings may be obtained. There is no assurance that any or all of such ratings will continue for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market price of the Fiscal 2001 B Bonds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Fiscal 2001 B Bonds from the Authority at a price which is \$412,089.89 less than the total of the initial offering prices. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Fiscal 2001 B Bonds if any of the Fiscal 2001 B Bonds are purchased. The Fiscal 2001 B Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing the Fiscal 2001 B Bonds into investment trusts) and others at prices lower than such public offering prices and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters have designated First Albany Corporation as their Representative.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Causey Demgen & Moore Inc., independent certified public accountants, has verified the accuracy of (i) the arithmetical and mathematical computations concerning the adequacy of the amounts and escrow securities, including investment earnings thereon, and uninvested cash, if any, in the Escrow Account together with other funds available or scheduled to be available for such purpose, to meet the anticipated redemption schedule and redemption price, and interest on

the Refunded bonds and (ii) the mathematical computations of the yield on the Fiscal 2001 B Bonds. Such verification of the arithmetical accuracy of the mathematical computations is based upon information and assumptions supplied by the Authority.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Fiscal 2001 B Bonds is subject to the approval of legality by Nixon Peabody LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the City and the Board by the City's Corporation Counsel. Certain legal matters will be passed upon for the Underwriters by Willkie Farr & Gallagher, New York, New York.

NEW YORK CITY MUNICIPAL WATER
FINANCE AUTHORITY

By: /s/ Mark Page
Executive Director

APPENDIX A
FORM OF OPINION OF BOND COUNSEL

December __, 2000

New York City Municipal
Water Finance Authority
75 Park Place, 6th Floor
New York, New York 10007

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$68,675,000 aggregate principal amount of Water and Sewer System Revenue Bonds, Fiscal 2001 Series B (the "2001 Series B Bonds"), by the New York City Municipal Water Finance Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), created and existing under and pursuant to the Constitution and statutes of the State, including the New York City Municipal Water Finance Authority Act, being Title 2-A of Article 5 of the Public Authorities Law of the State, as amended (which, together with Section 1046 of the Public Authorities Law of the State, is herein referred to as the "Act").

The 2001 Series B Bonds are issued under and pursuant to the Act and a resolution of the Authority adopted November 14, 1985 entitled "Water and Sewer System General Revenue Bond Resolution," as amended and supplemented to the date hereof (the "Resolution"), including by a resolution adopted December 8, 2000 entitled "Forty-fifth Supplemental Resolution Authorizing the Issuance of \$68,675,000 Water and Sewer System Revenue Bonds, Fiscal 2001 Series B" (the "Forty-fifth Supplemental Resolution") authorizing the 2001 Series B Bonds. Capitalized terms used herein and not otherwise defined have the respective meanings given to them in the Resolution.

Pursuant to the Act, the New York City Water Board (the "Board"), a public benefit corporation of the State, created and existing under the laws of the State, and The City of New York (the "City"), a municipal corporation of the State, have entered into a lease agreement, dated as of July 1, 1985, as amended (the "Lease"), whereby the Board has leased the New York City Water and Sewer System from the City for a term ending on the date on which all bonds, notes or other obligations of the Authority have been paid in full or provision for such payment shall have been made in accordance with the instruments under which they were issued. Pursuant to the Act, the Authority, the Board and the City have entered into a financing agreement, dated as of July 1, 1985, as amended (the "Financing Agreement"), relating to, among other things, the financing of Water Projects.

The 2001 Series B Bonds are part of an issue of bonds of the Authority (the "Bonds") which the Authority has created under the terms of the Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Resolution, as then in effect, and without limitation as to amount except as provided in the Resolution or as may be limited by law. The 2001 Series B Bonds are being issued for the purposes set forth in the Resolution.

The Authority is authorized to issue Bonds, in addition to the 2001 Series B Bonds, only upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2001 Series B Bonds

and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

The 2001 Series B Bonds are dated the date hereof and will mature on June 15 in the years and in the respective principal amounts, and bear interest at the respective rates per annum, set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2002	\$ 135,000	4.750%
2003	140,000	4.500
2004	145,000	4.500
2005	155,000	4.500
2006	160,000	4.500
2007	165,000	4.500
2008	175,000	4.500
2009	185,000	4.750
2010	190,000	5.000
2011	200,000	5.000
2012	210,000	5.000
2013	220,000	5.000
2014	235,000	5.000
2015	245,000	5.000
2016	255,000	5.000
2017	270,000	5.125
2018	285,000	5.125
2019	295,000	5.125
2020	315,000	5.125
2031	64,695,000	5.125

Interest on the 2001 Series B Bonds is payable on June 15, 2001 and semiannually thereafter on June 15 and December 15 in each year.

The 2001 Series B Bonds are subject to redemption in the manner and upon the terms and conditions set forth in the Resolution. The 2001 Series B bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 or integral multiples thereof.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, duly created and existing under the laws of the State with the right and lawful authority and power to enter into the Financing Agreement, to adopt the Resolution, the Forty-fifth Supplemental Resolution and to issue the 2001 Series B Bonds.

2. The Resolution and the Forty-fifth Supplemental Resolution have been duly and lawfully adopted by the Authority, are in full force and effect and are the legal, valid and binding agreements of the Authority enforceable in accordance with their terms. The Resolution and the Forty-fifth Supplemental Resolution create the valid, binding and perfected pledges they purport to create of the Revenues and any moneys or securities on deposit in the Funds and Accounts created thereby, subject only to the provisions of the Resolution, the Forty-fifth Supplemental Resolution and the Financing Agreement permitting the application thereof for or to the purposes and on the terms and conditions permitted thereby, including the making of any required payments to the United States with respect to arbitrage earnings.

3. The 2001 Series B Bonds have been duly and validly authorized and issued. The 2001 Series B Bonds are valid and binding special obligations of the Authority payable as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution and are entitled, together with all other Bonds issued under the Resolution, to the benefits of the Resolution and the Act.

4. The 2001 Series B Bonds are payable solely from the Revenues and other amounts pledged to such payment under the Resolution. The 2001 Series B Bonds are not a debt of the State, the City or the Board and neither the State, the City, the Board nor any other political subdivision of the State is liable thereon.

5. The Lease and the Financing Agreement have been duly authorized, executed and delivered by the respective parties thereto and constitute valid and binding obligations of such parties, enforceable in accordance with their terms.

6. The Revenues derived from the operation of the System are the property of the Board. The Financing Agreement validly transfers the right, title and interest of the Board in the Revenues to the Authority to the extent and as provided in the Financing Agreement, subject only to the provisions of the Act, the Financing Agreement and the Resolution permitting the application thereof for or to the purposes, and on the terms and conditions, therein set forth.

7. By virtue of the Act, the Authority has a valid, binding and perfected statutory lien upon the Revenues to be paid by the Board to the Authority pursuant to the Financing Agreement and such lien constitutes a first priority security interest therein.

8. The Internal Revenue Code of 1986 (the "Code") imposes certain requirements which must be met subsequent to the issuance and delivery of the 2001 Series B Bonds for interest thereon to be and remain excluded from gross income for federal tax purposes. Noncompliance with such requirements could cause the interest on the 2001 Series B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2001 Series B Bonds. Pursuant to the Forty-fifth Supplemental Resolution, the Authority has covenanted to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, in furtherance thereof, to comply with the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Code, with respect to the 2001 Series B Bonds for federal income tax purposes and that it shall provide for any required rebate to the United States.

9. Under existing law and assuming compliance with the aforementioned tax covenants, interest on the 2001 Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest on the 2001 Series B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations for purposes of computing the alternative minimum tax on such corporations. Interest on the 2001 Series B Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax on such corporations.

Interest on the 2001 Series B Bonds is exempt, under existing law, from personal income tax of the State of New York and its political subdivisions, including The City of New York.

The difference between the principal amount of the 2001 Series B Bonds maturing June 15, 2008 and June 15, 2015 through June 15, 2031, inclusive (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the 2001 Series B Bonds. Further, the original issue discount accrues actuarially on a constant interest rate basis over the term of the Discount Bonds and the basis of each Discount Bond acquired at the initial offering price by its initial purchaser will be increased by the amount of the accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for

purposes of determining various other tax consequences of owning Discount Bonds, even though there will not be a corresponding cash payment.

The difference between the principal amount of the 2001 Series B Bonds maturing on June 15, 2002 through June 15, 2007, inclusive and June 15, 2009 through June 15, 2014, inclusive (collectively, the "Premium Bonds"), and the initial adjusted basis of initial purchasers of the Premium Bonds constitutes amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Premium Bonds. Owners of Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning Premium Bonds.

Except as stated in the preceding paragraphs, we express no opinion as to any other federal or state tax consequences of the ownership or disposition of the 2001 Series B Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2001 Series B Bonds, or the interest thereon, if any action is taken with respect to the 2001 Series B Bonds or the proceeds thereof upon the advice or approval of other counsel.

We have examined an executed 2001 Series B Bond and, in our opinion, the form of said bonds and their execution are regular and proper. However, we have not verified, and express no opinion as to the accuracy of, any "CUSIP" identification number which may be printed on any of the 2001 Series B Bonds.

The above opinions are qualified to the extent that the enforceability of rights and remedies may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights and the unavailability of equitable remedies.

In rendering the opinions set forth in paragraphs 5 and 6 above, we wish to advise you that we have, with your consent, relied upon the opinion of the Corporation Counsel of The City of New York dated the date hereof and addressed to you as to the validity, binding effect and enforceability of the Financing Agreement and the Lease with respect to the Board and the City. In rendering the priority of lien opinion set forth in paragraph 7 above, we have (i) relied upon a certification by the Board that it has not made or granted a pledge of or security interest in the Revenues to any person other than the Authority and that it has not taken any action which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues, and (ii) assumed, without making any independent investigation, that (1) no lien, charge or encumbrance upon the Revenues has been imposed or exists by operation of law that is prior to the lien in favor of the Authority and (2) no facts or circumstances have occurred or exist which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues that is prior to the lien in favor of the Authority.

Very truly yours,





DO NOT STAPLE THIS FORM

05-120708

MSRB

FORM G-36(OS) - FOR OFFICIAL STATEMENTS

SECTION I - MATERIALS SUBMITTED

A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

1. A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: 12/8/00 (b) DATE SENT TO MSRB: 12/21/00

2. AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: _____ (b) DATE SENT TO MSRB: _____

B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g., preliminary official statement and wrap even if physically attached). PLEASE CHECK HERE:

C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original Form G-36(OS)):

SECTION II - IDENTIFICATION OF ISSUE(S)

Each issue must be listed separately. If more space is needed to list additional issues, please include on separate sheet and check here:

A. NAME OF ISSUER: New York City Municipal Water Finance Authority STATE: NY

DESCRIPTION OF ISSUE: Water and Sewer System Revenue Bonds, Fiscal 2001 Series B DATED DATE: 12/19/00

B. NAME OF ISSUER: _____ STATE: _____

DESCRIPTION OF ISSUE: _____ DATED DATE: _____

C. NAME OF ISSUER: _____ STATE: _____

DESCRIPTION OF ISSUE: _____ DATED DATE: _____

SECTION III - TRANSACTION INFORMATION

A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING 6/15/2031

B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 12/7/00

C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 12/19/00

D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE:

A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted to each issue advance refunded.

SECTION IV - UNDERWRITING ASSESSMENT INFORMATION

A. MANAGING UNDERWRITER: First Albany Corporation SEC REG NUMBER: 298

B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING \$68,675,000

C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from amount shown in item B above): \$ _____

D. CHECK ALL THAT APPLY

1. At the option of the holder thereof, all securities in this offering may be tendered to issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.

2. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.

3. This offering is exempt from SEC Rule 15c2-12 under section (d)(1)(i) of that rule. Section (d)(1)(i) of SEC Rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

SECTION V - CUSIP INFORMATION

MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

A. CUSIP-9 NUMBERS OF ISSUE(S)

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
6/15/2002	64970KNN3	6/15/2009	64970KNV5	6/15/2016	64970KPC5
6/15/2003	64970KNP8	6/15/2010	64970KNW3	6/15/2017	64970KPD3
6/15/2004	64970KNQ6	6/15/2011	64970KNX1	6/15/2018	64970KPE1
6/15/2005	64970KNR4	6/15/2012	64970KNY9	6/15/2019	64970KPF8
6/15/2006	64970KNS2	6/15/2013	64970KNZ6	6/15/2020	64970KPG6
6/15/2007	64970KNT0	6/15/2014	64970KPA9	6/15/2031	64970KPH4
6/15/2008	64970KNU7	6/15/2015	64970KPB7		

B. IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9", CHECK HERE AND LIST THEM BELOW:

(Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED: _____

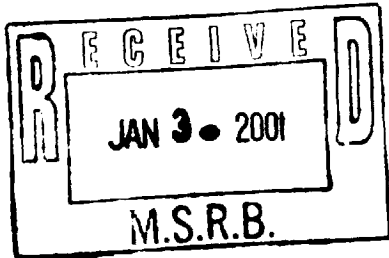
State the reason why such securities have not been assigned a "CUSIP-9": _____

C. IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT, PLEASE CHECK HERE:

State the reason why such securities are ineligible for CUSIP number assignment: _____

SECTION VI - MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION IV ABOVE AND THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND ACCURATE AND THAT SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.



ON BEHALF OF THE
ABOVE

SECTION IV

SIGNATURE

NAME:

(

ter)

PHONE:

most likely to be

erials)

ial for detailed information
ompleted or not completed
ON.

BE

of this form and two copies of the official statement or amended official statement
ed sent to the MSRB within the meaning of rule G-36.
ying materials to MSRB, MSIL System, 1640 King Street, Suite 300, Alexandria,