

**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 approximately 9:30 a.m. on May 20, 2016.

The following members of the Committee were present:

Max Von Hollweg;

Robert Elburn (by designation of Authority Director Basil Seggos;

Alfonso Carney, Jr.;

Jonathan Goldin;

Adam Freed; and

Marc Shaw;

constituting a quorum of the Committee. Mr. Von Hollweg chaired the meeting, and Deborah Cohen served as Secretary of the meeting.

Approval of Minutes of Meeting of October 21, 2015

The first item on the agenda was approval of the minutes of the meeting of October 21, 2015. 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 October 21, 2015 it is therefore

RESOLVED, that the minutes of the meeting of October 21, 2015, be, and they hereby are, approved.

Review of Annual Agency Financial Integrity Compliance Statements of the New York City Municipal Water Finance Authority and New York City Water Board

The next item on the agenda was the annual review of the Financial Integrity Compliance Statements. Mr. Von Hollweg explained that the Authority and Water Board are required to review and evaluate the Financial Integrity Statements annually pursuant to Directive 22 of the City Comptroller's Office. He introduced the Authority's Comptroller, Robert Balducci, and the Water Board's Treasurer, Omar Nazem, who noted that the vast majority of questions on the Statement did not apply to the Authority or Water Board. Brief discussion ensued.

Annual Self-Evaluation and Review of Annual Report of Audit Committee

The next item on the agenda was the annual self-evaluation and review of the Annual Report of the Committee. Mr. Von Hollweg referred the Committee to the report¹ included in the Committee's package and discussed the Committee's performance during the prior calendar year. There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section III(k) of the Audit Committee Charter and Section 6.0 of Directive 22 of the City of New York Office of the Comptroller require the Audit Committee to issue an annual report, which details the activities and decisions of the Committee for the prior calendar year;

WHEREAS, the Audit Committee has reviewed the Annual Report of the Audit Committee, as attached hereto and finds it to be reasonable; and

WHEREAS, Section III(j) of the Audit Committee Charter requires the Audit Committee to conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the Audit Committee Charter; and

WHEREAS, the Audit Committee finds its performance to be satisfactory, effective, and in compliance with the Audit Committee Charter; it is therefore

¹ Filed with the minutes of the meeting

RESOLVED, that the Annual Report of the Audit Committee is hereby approved and shall be presented to the Board of Directors of the New York City Municipal Water Finance Authority and the New York City Water Board, copies of which shall be sent to the Bureau of Accountancy of the City of New York Office of the Comptroller and filed with the minutes of the Audit Committee.

Recommendation to the Board of Directors of the Authority and Water Board– Approval of Independent Auditors

The next item on the agenda was a recommendation to the Board of Directors of the Authority and Water Board for the approval of independent auditor services. Mr. Von Hollweg explained that, following a competitive Request for Proposals Process initiated by the City of New York, Marks Paneth had been selected to provide independent auditor services for the Water and Sewer System (the “System”) for the fiscal year ending June 30, 2016, with an option to renew for fiscal years ending June 30, 2017, June 20, 2018 and June 30, 2019. Mr. Balducci explained that, as part of the Selection Committee, he recommended Marks Paneth because of their familiarity with the System and other component units of the City, and because of the high technical score of the proposal of which they were included. Mr. Von Hollweg noted that the proposed rates and terms of the contract are in the resolution provided to the Committee. Discussion ensued. Then, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Joint Audit Committee of the New York City Municipal Water Finance Authority (the “Authority”) and the New York City Water Board (the “Water Board”) is authorized, under the Audit Committee Charter, to recommend to the Board of Directors of the Authority and the Water Board the appointment and retention of independent auditors for the water and sewer system of the City of New York (the “System”); and

WHEREAS, the Authority, in conjunction with the City of New York (the “City”), issued a competitive Request for Proposals for independent auditor services; and

WHEREAS, Marks Paneth, LLC (“Marks Paneth”) was selected based on their proven record of quality of service, and their familiarity with the System; and

WHEREAS, pursuant to the Audit Committee Charter, the Audit Committee has evaluated the recommended selection of Marks Paneth as independent auditor and finds it reasonable and prudent; it is hereby

RESOLVED, that the Audit Committee recommends that the Board of the Authority and the Water Board authorize the management of the Authority and the Water Board to sign engagement letters with Marks Paneth as the independent auditors for the System’s financial statements for the fiscal year ending June 30, 2016, with an option to renew for fiscal years ended June 30, 2017, 2018 and 2019 at the option of the Authority without further Board action required for the fees listed in Schedule I, as well as any other documents necessary to effectuate the retention of the independent auditors.

**Schedule I
Fees**

2016	\$140,000
2017	\$144,000
2018	\$153,000
2019	\$162,000

Marks Paneth’s hourly rates, inclusive of all out-of-pocket expenses, for special projects authorized in writing by the System will be paid on the following basis:

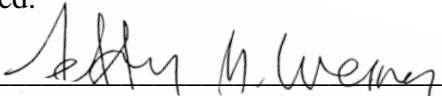
Hourly Rate for Special Projects	FY 2016		FY2017		FY2018		FY2019	
	Smaller Projects	Major Projects	Smaller Projects	Major Projects	Smaller Projects	Major Projects	Smaller Projects	Major Projects
Partners	\$385	\$315	\$400	\$325	\$420	\$340	\$450	\$360
Directors	\$365	\$300	\$375	\$310	\$390	\$325	\$415	\$340
Managers	\$335	\$280	\$350	\$290	\$365	\$300	\$390	\$320
Seniors	\$230	\$190	\$240	\$195	\$250	\$200	\$265	\$215
Semi-Seniors	\$200	\$160	\$210	\$165	\$220	\$175	\$235	\$185
Staff	\$140	\$120	\$145	\$125	\$150	\$130	\$160	\$140

Presentation of Audit Plan Including Discussion of New Accounting and Auditing Standards

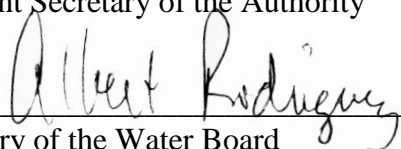
The final item on the agenda was the presentation of the 2016 Audit Plan of the System. Mr. Balducci noted that, pending approval by the Board of Directors of the Authority and Water Board, Marks Paneth partner Warren Ruppel would present the audit plan for the System's Fiscal Year 2016 audit. Mr. Ruppel described the four phases of the Audit: planning, development, performance and conclusion. Mr. Ruppel also touched on new Government Accounting Standards Board rules and standards and explained how they would impact the System's audit. Discussion ensued.

Adjournment

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



Assistant Secretary of the Authority



Secretary of the Water Board